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PREFATORY NOTE

The present *Survey* is the eleventh in a series of reports prepared each year by the secretariat of the Economic Commission for Asia and the Far East. A major object of these *Surveys*, and of the quarterly *Economic Bulletins* which supplement them, is the analysis of recent economic developments in, and affecting, the countries of Asia and the Far East in so far as these developments are shaped by, and help to determine, their policies.

Following the usual pattern, Part I of the present report gives a preliminary view of the economic situation in the ECAFE region in 1957. Part II marks a new departure. The systematic country chapters to be found in recent issues have been replaced by analysis of a series of problems of economic development encountered in various countries of the region in the postwar period. The chapters under this head deal with growth and structural change in a private enterprise economy, planned development in a mixed economy, industrialization in a centrally planned economy, export instability in the primary exporting countries, rehabilitation and reconstruction, and the land-locked countries.

It is hoped that this new treatment will be found to heighten the interest and usefulness of the *Survey*. The secretariat proposes to continue to pursue new ideas in future issues to the extent that promising fields for, and methods of, analysis come to light.

The *Survey* is published solely on the responsibility of the secretariat, and the views expressed therein should not be attributed to the Commission or its member Governments.

Bangkok March 1958

EXPLANATORY NOTE

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported.
A dash (—) indicates that the amount is nil or negligible.
A blank in a table indicates that the item is not applicable.
A minus sign (–) indicates a deficit or decrease.
A full stop (.) is used to indicate decimals.
A comma (,) is used to distinguish thousands, millions and billions.
A slash (/) indicates a crop year or financial year, e.g., 1956/57.

Use of a hyphen (-) between dates representing years, e.g., 1950-1957, signifies the full period involved, including the beginning and end years.

References to "tons" indicate metric tons, and to "dollars", United States dollars, unless otherwise stated.

The term "billion" signifies a thousand million.

In order to avoid duplication, statistical tables are generally not reproduced in the text of the present *Survey*, since they appear, with explanatory notes, in the appendix on "Asian Economic Statistics".

Where reference is made to the "ECAFE region", the countries listed below have generally been included, subject to limitation of data.

Country	Fiscal year	Currency and abbreviation	United States cents per unit of currency at end of December 1957
Afghanistan	21 March to 20 March	Afghani	5.882
British Borneo[a]	January to December	Malayan dollar (M$)	32.67
Burma	April to March 1935-1941; October to September, from 1945	Kyat (K)	21.00
Cambodia	January to December	Riel (Ri)	2.857
Ceylon	October to September	Rupee (Rs)	21.00
China:			
Taiwan[b]	January to December, to 1953; January to June, 1954; July to June, from July 1954	New Taiwan dollar (NT$)	4.035[c]
Mainland[d]	January to December	Yuan	42.46
Hong Kong	April to March	Hong Kong dollar (HK$)	17.50
India	April to March	Rupee (Rs)	21.00
Indonesia	January to December	Rupiah (Rp)	4.405[e]
Japan	April to March	Yen (¥)	0.278
Korea, southern[f]	April to March, to 1953/54; April to June, 1954/55; July to June (extended to December) 1955/56; January to December 1957	Hwan	0.20 [c]
Laos	January to December	Kip	2.857
Malaya, Federation of	January to December	Malayan dollar (M$)	32.67
Nepal	July to June	Rupees (Rs)	16.41 [c]
Pakistan	April to March	Rupee (Rs)	21.00
Philippines	July to June	Peso (P)	50.00
Singapore	January to December	Malayan dollar (M$)	32.67
Thailand	April to March, to 1939; April to December, 1940; January to December, from 1941	Baht	4.806
Viet-Nam, southern[g]	January to December	Piastre (Pr)	2.857

[a] British Borneo includes the territories of Brunei, North Borneo and Sarawak.

[b] The area under the jurisdiction of the Government of the Republic of China.

[c] For further details on the exchange rates applicable to different types of transaction in China (Taiwan), southern Korea and Nepal, see chapters on the countries in *Economic Survey of Asia and the Far East, 1956;* also International Monetary Fund, *International Financial Statistics* (Washington D.C.).

[d] The area under the jurisdiction of the Central People's Government of the People's Republic of China.

[e] Principal export rate effective since 20 June 1957 (*International Financial Statistics*, March 1958, p.135).

[f] The area under the jurisdiction of the Government of the Republic of Korea.

[g] The area under the jurisdiction of the Government of the Republic of Viet-Nam.

INTRODUCTION

Economic conditions in the ECAFE region[1] in 1957 were satisfactory if judged solely by the progress made in agricultural and industrial production. Foodgrain[2] production, for example, was up about 4 per cent to an all-time high: it was still some 7 per cent below prewar levels on a per capita basis and the import demand for foodgrains went up, too. Manufacturing and mining production, though climbing more slowly than in 1956, rose about 11 per cent (on the basis of returns for the first three quarters), a much higher rate of gain than the world as a whole could show. Unfortunately, closer examination shows that the situation was far less encouraging. Basically, demand outran supply. Judging by the inflationary pressure revealed by the price indexes, the resulting situation was somewhat precarious. Judging by the adverse trade balances and declining foreign exchange reserves, it could even be called alarming. How to explain and relate these different views of the matter is thus a question.

A study of that question leads to two important preliminary conclusions. The first conclusion is that the flat perspective of a single year affords no adequate basis whatever for judging where Asia is going, economically speaking. The way the evidence fits together has to be examined over a longer period of time if the real relationships are to be understood. The second conclusion is that it is also essential to keep the economic development goals and purposes of the countries of the ECAFE region constantly in mind. The days are gone when fluctuations and "cyclical" movements were the main economic interest in Asia. The "secular" trend is the main economic interest now. What the fluctuations do is to modify (and, for the most part, to hamper) progress towards the longer-term goals of plans. They are thus important, but they are not of primary importance in themselves.

It is from this point of view that the present issue of the *Survey* has been written, and future issues are being planned. Current happenings are summarized and analysed as far as the available data permit (see chapter 1).[3] The main objective, however, is to probe in greater depth in order to find out what important problems the countries of the region are encountering in their efforts to speed up economic development, how effectively they are dealing with these problems and what means they are using (see the seven chapters of Part II). In this type of analysis much that is interesting, and perhaps also something that is useful, comes to light.

* * *

In economic development there are major problems that have general application to virtually all countries in the ECAFE region and—as this *Survey* makes clear—there are other problems that are limited to, or at least specially emphasized in, certain countries only. A warning may be in order against excessive emphasis on the distinguishing or special features, important though they are, and striking though they may be at first glance.

For example, top priority in an economic programme at a particular time does not necessarily mean greatest importance in general. This is illustrated when, after a devastating war, first things clearly have to come first. Until the refugees are resettled, and the power, transport and irrigation systems are rehabilitated and production generally is functioning about as well as before, the solution of many of a country's long-run development problems has to wait. Something is said on this subject in chapter 7 as far as it concerns southern Korea and southern Viet-Nam, with their special legacy of long-drawn-out fighting and partition. But it should be recognized that the problem is not theirs alone. Reconstruction needs have changed the course and slowed the rate of economic development in quite a number of other countries of the ECAFE region as well.

Again, if one country puts heavier emphasis on the "infrastructure" in its current economic development programme than another country, or lays more stress on agriculture and less on industry, this does not necessarily imply any difference either in ultimate objectives or in economic reasoning since it may merely reflect a difference in the stage of development of the two countries. This may be partly illustrated by the experience of the land-locked countries of the ECAFE region—Afghanistan, Laos and Nepal—which is discussed in chapter 8. Their comparative isolation for centuries past results in the fact that in some respects their present economic development programmes have to begin farther "back" than is the case elsewhere. In that sense, their difficulties differ in degree, rather than in kind, from those of other countries. On the other hand, the fact that they lack

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[1] Excluding mainland China.

[2] The terms "foodgrains" and "cereals" are used interchangeably in this *Survey*.

[3] It should be noted that the data available as this report was written covered less than the full year 1957 for most subjects in most countries—frequently only the first six months. Thus, only a "preliminary view" of the year could be attempted at this time.

direct access to the sea does pose special problems relating to transit trade with which no other country of the region is confronted.

At the other end of the spectrum in terms of the stage of development already reached, Japan's economy is so dynamic and so industrially advanced that in a number of ways its perspectives are unique as far as the ECAFE region is concerned (see chapter 2). A point of particular interest here is the way in which the very productive capacity of Japan's economy creates a dilemma. If the maximum attainable growth of output is permitted, dependence on foreign raw materials creates serious balance of payments difficulties. Yet if potential growth is held back very much, not only is the standard of living kept from rising as fast as might be wished but serious unemployment or underemployment results. Given a large population, a technology which makes efficiency largely synonymous with labour-saving, a relative scarcity of natural resources and a difficulty in expanding exports in competitive world markets fast enough to pay for the required imports, the problem that is Japan's inevitably results. To the extent that these same conditions already occur, or may at a later stage be expected to arise in other countries of the region, the problem itself has common aspects. Not least among the widely shared aspects, certainly, is the fundamental problem of how to develop a technology that is both labour-intensive and efficient—one in which maximum production will also spell full employment.

* * *

In their search for ways to make use of the available or known resources so as to achieve a satisfactory rate of growth, all countries of the ECAFE region have met and will continue to meet three basic problems which may for convenience be referred to as the problems of domestic capital, foreign capital and progress with stability.

Reduced to its simplest terms, the domestic capital problem comes down to whether it is possible for a country whose people are poor to mobilize enough domestic savings without using authoritarian methods. "Enough" may be judged by reference to two things —the rate of capital formation necessary to raise the productivity of the economy at a satisfactory pace, and the foreign capital that it may be possible and desirable to obtain to help finance this capital formation. Japan's high rates of saving (of the general order of 25 per cent of the national income) seem to demonstrate that, once a certain point in development has been achieved, it is possible for a country using incentives and methods of persuasion compatible with a private enterprise economy to mobilize domestic savings at a rate high enough in itself to sustain vigorous growth. But for countries with lower per capita incomes, the question is less readily answered. The experiences of India (chapter 3) and mainland China (chapter 4) so far provide only partial answers.

In mainland China's centrally planned economy, the state enterprises with their dominating position, which in effect enables them to buy the nation's product cheap and sell it dear, have apparently lifted the national rate of saving to around 20 per cent. What is not as clear is whether the extent to which higher living standards have to be postponed in the process, as well as the methods of control involved, are capable of being maintained long enough for the experiment as a whole to be a success. In India's "mixed" economy, methods which are largely voluntary prevail, and the financial levers in the hands of the Government are rather small. About one-fourth of the increment of production under the current five-year plan is scheduled to be saved and ploughed back into investment, and the national rate of saving thus far is only of the order of 10 per cent. In this case two things are not clear. First, the evidence is not decisive as to whether such a rate is high enough, along with capital from abroad, to achieve the main objective in a reasonable time. Second, it is not entirely obvious to what extent such a rate of domestic saving is a product of special historical circumstances and to what extent it indicates a real limit (not to be surmounted, for example, by feasible improvements in tax systems) for countries where incomes are low, population pressure is heavy and voluntary methods are valued in and for themselves.

The problem of foreign capital is acute for most countries of the region precisely because their domestic saving cannot, unaided, support a rate of capital formation commensurate with their hopes and plans for economic growth. In the short run the question is apt to appear to be simply whether the needs for outside capital can be met, from public or private sources or from the two combined. Looking farther ahead, the question of repayment comes into view. Here the form in which the capital is received—the extent of grants, the extent of equity capital, the extent and terms of loans—is naturally a major consideration. How big and how long-continued a capital inflow will be needed, before domestic saving itself is able to finance domestic capital formation and the necessary repayment outflow, is another.

As will be seen in chapter 1, foreign aid on a public grant and loan basis continued to flow to many countries of the region in 1957 on a substantial, and sometimes a rising, scale. The private capital inflow continued to be less satisfactory, and the question of whether and how much it could be accelerated by the recipient countries offering more inducements to

the foreign private interests still lacks a conclusive answer. In some countries (for example, Burma) the year saw steps taken to encourage private investors, including foreign investors. In others (for example, Indonesia) events were such as to have, rather, the opposite effect.

* * *

The problem of progress with stability—at any rate a reasonable degree of stability or, negatively, avoidance of "instability"—ranks in importance with the problems of mobilizing domestic and foreign capital. Two major questions are involved. The first has to do with forces which antedate and still arise independently of the development efforts of the countries of the ECAFE region. The most important single expression of these forces is instability in the export markets for primary products such as rubber, tea, rice, copra, sugar, tin, jute and so on. These export markets moreover are unstable mainly because the foreign demand fluctuates widely. The question is whether the forces at work in the outer world can be kept from disturbing the whole economy of the primary exporting country—not merely its balance of payments but its internal economy as well—to such an extent as to make progress with economic development difficult or even virtually impossible.

An analysis of this subject is presented in chapters 5 and 6. The experience in this regard of a large number of food and raw materials exporting countries of the region during the postwar period is reviewed in some detail. The international tea, sugar and tin agreements are examined in connexion with the important possibility that, by such agreements or by other schemes that international co-operation may devise, instability might perhaps be largely eliminated or reduced at its source. A number of domestic cushioning devices used by the region's primary exporting countries (price stabilization and state marketing schemes, exchange rate manipulation, flexible export duties) are also examined and appraised. Some of them have worked fairly well, on the upswing especially. These compensatory measures are, of course, essentially short-run stabilizing devices. As is pointed out in chapter 6, very little progress has yet been made by the countries concerned towards reducing the seriousness of the problem by diversifying their production and exports. A much greater diversification of their economies is desirable for several reasons. Yet it seems highly doubtful that this is the main answer to the export instability problem.

How necessary it is that increasingly adequate answers should be found is obvious as soon as the quantitative dimensions of the problem are properly understood. A comparison will help to make their magnitude clear. Available statistics indicate that the net long-term capital inflow to the primary exporting countries of the region aggregated about 9 per cent of the total value of their exports in the postwar period (generally speaking, 1948-1956). The foreign aid component of this capital inflow aggregated about 7 per cent. These figures are reduced to 5 and 4 per cent respectively if China (Taiwan) and, in the period 1948-1950, the Philippines are excluded. Meanwhile the average year-to-year fluctuations in the export earnings of these countries were in all cases above 10 per cent (excepting Brunei, 9.4 per cent) while ups and downs of 15 per cent, or indeed considerably more than that, were not unusual. Private incomes and, in a balance of payments sense, the capacity to import capital goods and other essentials were thus rendered highly unstable. Government revenues, which in these countries have been based on revenues from exports to the extent of 20, 30 or even (in the case of Burma) around 40 per cent, were also of course drastically affected by these wide swings.

The second major question concerning progress with stability is how to avoid a dilemma of progress *versus* stability. In a stagnating economy inflation may be only an occasional threat, but, as many of the countries of the region have discovered, the same cannot be said when plans for economic development are undertaken. India has perhaps provided the most dramatic example because in India the link between the drive for progress (embodied in the second five-year plan) and the threat to economic stability has been particularly clear. Many other countries, however, are facing the same problem. It must be emphasized that the rising domestic price indexes—to the extent that valid and representative indexes are available—by no means give the full measure of the inflationary pressures that are at work. Much of the excess demand can be met only by increased imports, except where prevented by a tightening of import controls. Thus the internally generated instability may cause internal difficulties of inflation and then deflation but in the process it also works itself out in large part through a worsening of trade and payments balances and a shrinkage of the country's foreign exchange holdings.

This has now become a serious matter for the ECAFE region—quite apart from the longer-term trade problems of the dollar gap and the falling off of the region's exports as a percentage share of world exports. The aggregate net deficit in the commodity trade balances for all countries of the region for which trade data are available went up from $750 million in 1955 to $892 million in the first-half of 1956, $1,969 million in 1956 as a whole and $2,105 million in the first-half of 1957. Some rise took place in the value of exports, but imports rose much faster. While it is true that nearly one-half of the trade deficit for

January-June 1957 was accounted for by Japan, and 86 per cent of it by Japan, India, southern Korea and Hong Kong, the situation was unsatisfactory for a number of other countries as well. Total foreign exchange assets of most countries of the region fell sharply in this period—particularly those of Japan, the Philippines, Indonesia, Ceylon, Burma, India and Pakistan. (Ceylon and Indonesia showed at least some temporary recovery in the third quarter). It is clear, moreover, that the tendency toward economic instability would have been considerably worse in the absence of foreign aid—bigger losses of reserves, smaller imports, larger budget deficits, higher wholesale prices, higher cost of living. Thus it is clear that international co-operation, in supplementing the ECAFE region's scarce domestic capital supplies, has also helped cushion the unstabilizing effects of domestic development programmes. Even so, the situation cannot be considered as being satisfactorily under control.

* * *

The subject of economic viability may be mentioned in this connexion. It has been apparent that a number of countries of the ECAFE region have not been or are not now fully viable or self-sustaining, but have been sustained, rather, by foreign aid. Where this has been due to special circumstances, it represents presumably a temporary condition which will pass. Viability might also for all practical purposes be permanently lacking, however. Thus the question arises whether territorially small economic units are inherently capable of obtaining wide enough markets to enable them to manufacture on an economic basis—or in other words, industrialize successfully in the long run. This subject has been more discussed in certain other parts of the world, (including, for example, Western Europe and Central America) than it has been in Asia. Moreover, the example of small countries that have industrialized successfully in the past warns against any hasty conclusion to the effect that smallness of the economy must necessarily militate against viability. Nevertheless the subject deserves thought as time goes by, particularly in the context of discussions of international trade policy, and recent developments in economic integration elsewhere.

The search for patterns of production and trade that will maximize the benefits obtained from the efforts and resources committed by each country constitutes, in any event, a further great area for planning. To sacrifice long-standing natural advantages in the production of, say, a major primary agricultural commodity would be illogical. Complementarity between different economies both within the region and otherwise can be an important asset to all parties concerned. On the other hand, to regard the pattern of international comparative advantages as something fixed would be equally illogical. Opportunities undoubtedly exist for catching up with or even surpassing in efficiency the present producers of many industrial items. The gains obtainable from diversification of production in the form of greater stability and wider employment opportunities also need to be weighed, to obtain a balanced assessment of long-run comparative advantages.

* * *

But the statement of the basic problems of higher economic development cannot end with the matters enumerated above. In the first place, there is also a problem, in many countries of the region, of bringing to light and making available natural resources that do not yet enter into present calculations. Secondly, the problem of population pressure is looming, in many countries, as an ultimate threat to progress itself.[1]

The known or suspected existence of valuable mineral resources, often in rather inaccessible regions; the great but as yet largely untapped hydroelectric potential of Asia's rivers; the other natural resources, including reproducible plant resources and resources of special advantage in the atomic age—here lie great assets ready to be thrown into the scales on the side of progress. First, however, these resources have to be brought to light by means of surveys, and then they have to be mined or cultivated or otherwise developed or harnessed in the service of man. It is noteworthy that a real beginning is now in sight in the development of the potential of the lower Mekong river basin on an international cooperative basis. It is a further good omen that approval has been given for the establishment of the United Nations Special Fund which will be particularly interested in sponsoring surveys of natural resources.

But the ever-mounting numbers of the people themselves are creating in many countries an issue which, for all the importance of the problems already discussed, is likely to prove still more decisive. It is well known that capital is scarce in Asia, good land is relatively scarce in most countries, and labour is usually plentiful. What is only beginning to be appreciated, however, is that any great disproportion between the factors of production renders the additions to the already over-plentiful factor incapable of yielding more than a small additional return. In short, new mouths always have to be fed and (with the growing social conscience of the times) schools, health facilities and many other overhead items have

[1] A preliminary study dealing with the problem of population growth and economic development is separately submitted for the information of the Commission at its fourteenth session (ECAFE/28).

to be expanded. But beyond a point, the new pairs of hands are not able to produce as much as the earlier arrivals, and finally a point may be reached when the account may even become negative.

No one can state with exactness where, in a given country and situation, these points on the population curve may lie. What can be said is that a real population "explosion" is under way which could have disastrous effects. In many of the countries of the ECAFE region population density is already high. For example, it is estimated at over 1,600 per square kilometre of arable land in Japan, at over 1,000 in China (Taiwan) and southern Korea, at over 500 in Ceylon and mainland China. Net rates of natural increase are also extremely high in a number of cases. Ceylon, China (Taiwan), the Federation of Malaya and the Philippines—not to speak of Hong Kong and Singapore—all have rates estimated at around 3 per cent a year. The reported rate for mainland China is 2.2 per cent. Several other countries of the region also have rates estimated at or above 2 per cent. Finally, the best present knowledge indicates that, if the trends now operating continue in effect, the compounding of the growth will give the ECAFE region by the year 1980 a population approximately as large as the total present population of the world, and that by the year 2000 China and India alone will, between them, if these trends continue, have a population roughly equal to the world's population today.

These indications are enough to point the clear possibility that hopes of raising per capita incomes may be defeated if population growth continues unchecked. For this reason, the greatest importance attaches to the consideration now being given in a number of countries of the region to means of bringing the population curve under the control of national policy in the national and international interest.

* * *

As this brief review has shown, the present economic situation in the ECAFE region is not one to make for complacency. Growing pains are everywhere apparent. Partly because of drains on resources for which internal and international tensions are responsible and partly because of pressures generated by the economic development efforts as these come up against limitations in domestic supplies and resources, the external accounts are very adverse. This is true even though continuing aid is coming on a considerable scale from outside the region. In the background looms the challenge to rational social behaviour posed by the increasing weight of numbers —the population question.

There is in some quarters a tendency to talk as though there were a "hump" to be got over during a country's current five-year plan, after which matters would become much easier. The "hump theory" may be valid as applied to some particular difficulty in one part of the economic programme. For example, once an irrigation system ruined by war has been restored, it can be used; once roads and power lines have been installed, industries can be economically established and agriculture can be tied to urban markets; once the components of a steel mill have been imported and the steel mill is built and in operation, foreign exchange formerly used to buy steel can be saved for other purposes. There is also a point, on the rather more distant horizon, where the "hump theory" can justify itself on a broader basis. This is the point at which, through gradual, piecemeal growth of capital structures and the improvement of techniques and skills, an economy has accumulated enough productive capacity so that it can be "self-sustaining". That is, it can from that point on save enough out of its own income to maintain and continually renew its capacity on an expanding basis. Even then, of course, many problems and difficulties will remain. Short of that point, it would seem all the more necessary to recognize that, as fast as one obstacle is surmounted, others will be there beyond it.

This need by no means be a discouraging prospect because experience gained in surmounting even the first obstacles helps greatly in tackling the others, and because progress along a road to a high objective is exhilarating even though the road itself is long and hard. International co-operation, too, can make many tasks easier to accomplish, and there are signs that—on the whole and in spite of setbacks—international co-operation towards the attainment of the goals of the ECAFE countries is on the rise.

Chapter 1

A PRELIMINARY VIEW OF THE ECAFE REGION IN 1957

THE FOOD AND AGRICULTURAL SITUATION

General trends in the food situation

Production of cereals in the ECAFE region (excluding the mainland of China) reached an all-time high of 126.6 million tons in crop year 1956/57,[1] exceeding the 1955/56 output total by 4 per cent (see table 1). The production of rice, by far the most important cereal crop, was estimated at a record level of 81.6 million tons (milled basis), or more than 5 per cent larger than in the previous season. The output of edible oilseed crops also was somewhat larger than in the previous year. That of pulses, however, was slightly below 1955/56 levels. On the mainland of China, the production of foodgrains in 1956 was officially reported at 182.5 million tons, a 4.4 per cent increase over 1955.[2]

Comparing 1956/57 with the annual average of 1948/49 to 1952/53, the region's total production of cereals (excluding mainland China) increased at an estimated annual rate of 3.8 per cent, exceeding the population growth of some 1.5 per cent, although on a per capita basis production in 1956/57 was still approximately 7 per cent lower than the annual average for 1934-1938.[3] However, the per capita available supply of cereals, i.e. production plus net imports (or minus net exports), in the region as a whole in 1957 is provisionally estimated as reaching the prewar level.

In most food importing countries of the region, with the exception of Ceylon and the Philippines, the increase in cereal production since the war has lagged behind population growth. As regards rice exporting countries, civil disturbances in Burma and southern Viet-Nam have hindered recovery or expansion of rice production and therefore delayed restoration of rice exports to the prewar level. In Thailand and China (Taiwan), where large increases in rice production have taken place, rising domestic consumption (resulting mainly from rapid population growth) has limited the export availabilities of rice to around the prewar level in the case of the former and to less than one quarter of the prewar exports in the case of the latter.

[1] The crop year is July to June for cereals and other food crops. With a view to assuring greater comparability with statistical data relating to other production fields, it might be advisable to allocate the whole of the crop to the calendar year into which the major part of the harvest falls. This is the practice adopted by the Food and Agriculture Organization of the United Nations (FAO) in its *Production Year Book*. Consideration will be given to the advisability of adopting this practice in future issues of the *Survey*. In the present *Survey*, however, the usual crop-year basis of reporting is retained. (For non-food products, the crop year is ordinarily taken as coinciding with the calendar year, except as specifically noted below for jute and cotton).

[2] Foodgrain statistics of mainland China refer to paddy, not milled rice; they include also potatoes, at one-fourth their gross weight. For conversion of mainland China's foodgrain statistics to an FAO basis, see below, chapter 4, p.97, footnote 1.

[3] Corresponding figures for the region including mainland China are 2.7 per cent per year for cereal production, 1.7 per cent per year for population growth and 13 per cent for the deficit in per capita production.

Table 1. ECAFE Region:[a] Production of Food Crops, 1948-1957
(Millions of tons)

Crop	1948-1952 average	1953 or 1953/54	1954 or 1954/55	1955 or 1955/56	1956 or 1956/57	1957 or 1957/58
Cereals:						
Rice, milled basis	66.2	76.6	71.5	77.4	81.6	...
Wheat	13.0	13.5	15.6	15.9	15.8	16.4
Other cereals	24.0	31.2	32.6	28.2	29.2	...
Total cereals	103.2	121.3	119.7	121.5	126.2	...
Root crops[b]	25.4	29.6	31.2	32.9	32.9	...
Pulses	7.1	7.3	8.2	9.2	9.0	...
Edible oilseed crops[c] (in oil equivalent)	4.2	4.4	5.2	5.1	5.2	...
Sugar[d]	5.8	6.7	7.5	7.7	7.9	...

Source: Food and Agriculture Organization of the United Nations.

[a] Excluding the mainland of China; including available data for Afghanistan.

[b] Potatoes, sweet potatoes and yams and cassava, largely estimated.

[c] Including soya beans, groundnuts, sesame, rapeseed, cottonseed, coconuts and oil palm.

[d] Centrifugal and non-centrifugal cane and beet sugar, converted to raw value.

Net imports of cereals into importing countries of the region from all sources (see table 2) rose by more than 2 million tons from the reduced level in 1954 and 1955 to approximately 10.5 million tons in 1956; and appear to have increased further to 12.1 million tons in 1957. The continued decrease in rice imports into Japan was more than offset by increased imports into India, Pakistan, Ceylon and the Philippines and by the re-appearance of southern Korea as an importer. Net imports of all cereals from outside the region were responsible for the net rise, since they increased from less than 5 million tons annually in 1954 and 1955 to nearly 7 million tons in 1956; and in 1957, despite increased shipments of rice from exporting countries within the region, they apparently reached the 1953 level of over 8 million tons.

In all the chief rice exporting countries of the region, the output of rice showed a substantial increase in 1956/57; consequently, despite reduced carryover stocks from the previous year, the exportable surplus of rice in 1957 increased to a considerable extent over 1956. Export prices of rice have on the whole tended to decline ever since 1954.

Among the importing countries, Japan and Malaya experienced a continued easing of their food position in 1957, largely on account of a good rice crop. In a number of other countries, however, shortages occurred, with a consequent rise in cereal prices. For southern Korea and Ceylon, this situation was largely caused by a poor rice harvest in 1956/57. In India, Pakistan, Indonesia and the Philippines, on the other hand, the food shortage and price rise continued or appeared in spite of an increase in cereal production over the previous year. This state of affairs apparently resulted partly from transportation difficulties and from hoarding by middlemen and big producers, and partly from the growing demand for cereals based on increases in population and in per capita incomes. The food situation in some of the importing countries was further aggravated by crop losses owing to drought and floods in the second half in 1957. The rise in cereal prices accelerated inflationary trends in these countries. The increased imports of cereals required to meet urgent needs and also to build up reserve stocks adversely affected their balance of payments, contributing to serious difficulties in the foreign exchange position and thus impeding economic development.

Food deficit countries

In Ceylon, owing to the drought which overtook many areas, rice production in 1956/57 fell short of the previous year's bumper crop by as much as 24 per cent. Since May 1956 the reduction in the price of rationed rice, coupled with the poor autumn harvest, has resulted in a larger demand for rationed rice. This has increased the amount of food subsidies and necessitated greater imports of cereals, which amounted to 688,000 tons during the first eleven months of 1957 compared with 554,000 tons in the same period of 1956. Ceylon has renewed the rubber-rice barter agreement with mainland China in a modified form for another five years, from 1958.[1] In addition to the various steps hitherto taken to increase paddy production, the government proposes to introduce a system of crop insurance for paddy. A pilot scheme is being prepared.

[1] Under the new agreement, Ceylon is to receive 200,000 tons of rice in return for supplying 30,000 tons of rubber (annual figures).

Table 2. ECAFE Region:[a] Net Trade[b] in Cereals, 1948-1952 and 1954-1957

(Millions of tons)

Item	1948-1952 Average		1954		1955		1956		1957[c]	
	Net Exports	Net Imports	Net Exports	Net Imports	Net Exports	Net Imports	Net Exports	Net Imports	Net Exports	Net Imports
Rice, milled basis	2.9	3.0	3.1	3.3	3.4	2.9	3.3	3.8	3.9	4.2
Wheat	—	4.7	—	3.8	—	4.2	—	5.2	—	6.4
Other cereals	0.1	1.5	0.2	1.1	0.2	1.1	0.2	1.5	0.1	1.5
Total	3.0	9.2	3.3	8.2	3.6	8.2	3.5	10.5	4.0	12.1
Net imports from outside the region	—	6.2	—	4.9	—	4.6	—	7.0	—	8.1

Source: FAO, except for 1957 data, which are ECAFE estimates.

[a] Excluding mainland China.

[b] Net exports from exporting countries to all destinations, and net imports into importing countries from all sources.

[c] Preliminary estimate.

In India, the rice crop harvested in the autumn of 1956 exceeded that of the previous season by nearly 5 per cent and was slightly larger than the 1953/54 peak crop. Moreover, the wheat crop harvested in the spring of 1957 was a record; and the output of most other cereals was substantially larger than in the previous season. Acute food shortages have nevertheless emerged since 1956 in a number of areas and cereal prices have tended to rise sharply. This price rise partly reflected a general inflationary trend, but a more specific underlying cause appears to have been that the progress of economic development led to increased demand for cereals and also accentuated the preference for fine grains over coarse grains. The effect of these causes coincided in the short run with difficulties in transporting grain from surplus to deficit areas and with retention of a greater quantity by producers which was due to higher income from better food prices and improved terms of trade. To cope with hoarding and rising prices, various steps have been taken by the Government, such as further restrictions on bank advances to traders against foodgrains, the assumption of the power to compel traders to sell foodgrains at the average market price prevailing during the previous three months instead of at the current market price,[1] and the creation of three wheat zones and a rice zone in the south.[2] During the first three quarters of 1957, imports of cereals totalled approximately 2.12 million tons, compared with 0.67 million tons in the same period of 1956. By mid-November 1957, the Government was said to have built up stocks of a little over a million tons of wheat and rice. These various measures had not succeeded in substantially reducing cereal prices but the rising tendency had been arrested. Early in that month the Foodgrains Inquiry Committee estimated that, even with normal seasons, there would be a need to import two to three million tons of foodgrains annually during the next few years. The Committee recommended the stabilization of foodgrain prices by means of buffer stock operations combined with the building up of a reserve stock of 2 million tons, and the taking of progressive steps towards "socialization of the wholesale trade" in foodgrains.

In Indonesia, the 1956/57 rice output recovered only part of the decline recorded in the previous year. Presumably as a result of the higher purchase price offered, the Food Foundation, in the first half of 1957, bought 571,000 tons of paddy from producers, roughly 100,000 tons more than in the corresponding period of 1956. During the first ten months of 1957, imports of rice amounted to 475,000 tons, or 129,000 tons lower than the corresponding figure of the previous year. Owing partly to transportation difficulties and partly to speculation by middlemen, the food situation deteriorated and rice prices soared, particularly in west Java and south Sumatra. In spite of the continued rice "injections" given by the Food Foundation in various regions, prices could not be held down effectively and the Foundation's distribution price itself was raised by 10 per cent.

In Japan, the year 1956 saw another good rice harvest although it was 12 per cent lower than the record 1955 crop. With increased carryover stocks, the total supply of rice in the hands of the Government for the year beginning November 1956 did not materially differ from that of the previous season. Nevertheless, in 1957 free market prices rose, partly in anticipation of a possible raising of ration prices and partly as a result of reduction of the ration of indigenous rice in June. In the same month, the Enquiry Committee recommended rationalization of the method of fixing the producers' prices of rice, wheat and barley and the setting of the consumers' price of rice on a cost basis. Producers' prices of rice, wheat and barley for the 1957 crop were further increased, and effective as from 1 October 1957 the price of rice for the basic ration was raised on the average from ¥790 per 10 kilogrammes to ¥850. During the first ten months of the year, imports of rice into Japan amounted to only 317,000 tons as compared with 697,000 tons in the same period of 1956; but those of wheat and barley, estimated at over 2.6 million tons, were much the same as in the previous year. While wheat imports have been increasing in recent years the acreage under wheat has tended to decline since 1951, a fact which has directed attention to the relatively low productivity of wheat growing and of upland farming in general. In response to growing demand resulting partly from a rise in per capita incomes and partly from a shift in eating habits, the production in recent years of livestock products, particularly milk, has been expanding. As a result, for milk and milk products the problem of price stabilization has come to the fore. Under the new five-year economic development plan, the increase in agricultural production as a whole is set at 3.3 per cent per annum. In the next five years it is planned to raise rice production by 8 per cent[3] and to more than double the milk output.

[1] Under the notification issued on 6 June 1957 pursuant to provisions of the Essential Commodities Act, 1955 as amended, this provision was applied to twelve states and three Union territories for a period of three months, and on 6 September another notification was issued extending the application for a further period of three months.

[2] Movement of wheat and wheat products, or of rice, within each of these zones remained free but export from or import into any of these zones was prohibited except under permit.

[3] Despite increased production, however, it is estimated that even in fiscal year 1962, the final year of the five-year plan, there will still be need to import some 0.6 million tons of rice and over 3 million tons of wheat and barley.

In southern Korea, owing to typhoons and cold weather, rice production in 1956 was at the lowest level since the war years and 18 per cent below 1955.[1] As a result, the amount of rice procured by the Government as at the end of July 1957 was 27 per cent below the corresponding figure for the 1955 crop. The Government increased cereal imports to secure enough rice and other cereals for both direct distribution and release for price stabilization. During the first half of 1957, imports of rice and wheat including flour were approximately 90,000 tons and 279,000 tons respectively, compared with nil and 80,000 tons during the same period of 1956. Since June 1956, wholesale prices of grains in Seoul had tended to rise except for a few months during and after the harvest. With a good prospect for the coming rice crop, however, they began falling in July 1957.

In the Federation of Malaya, the 1956/57 rice output reached a new record, exceeding that of the previous season by approximately 15 per cent. The government-guaranteed minimum price for locally grown paddy had been raised by ½ cent to 11 cents a pound for the 1956/57 crop. During the first ten months of 1957, imports of rice into Malaya including Singapore amounted to 447,000 tons, or about 4 per cent below the corresponding figure of the previous year, and those of wheat flour also declined by about one-fifth. Efforts continued to be focused on the intensification of local rice production.

In Pakistan, rice production in 1956/57 surpassed the 1955/56 output by one-fourth, and the wheat crop harvested in the spring of 1957 was considerably larger than in the previous year, though both were short of the bumper 1953/54 (or 1954) crop. Nevertheless, the serious shortage of food supplies which emerged in 1956 persisted, though to a somewhat lesser extent, into 1957. To meet the deficit of rice in East Pakistan, the Central Government made arrangements for importing some 463,000 tons of rice in 1957; arrivals up to mid-December totalled approximately 406,000 tons. During the first three quarters of 1957, 490,000 tons of wheat were also imported to meet the deficit in West Pakistan. Steps taken to promote the procurement of domestic cereals, prevent hoarding and hold down price rises included the extension of the wheat provisioning programme, the imposition of a wheat levy on big producers in West Pakistan, restrictions on paddy or rice retention by families and the control of forward purchase of rice in East Pakistan. The price of medium quality rice in Chittagong rose from Rs 23 per maund[2] on 5 January 1957 to Rs 32/8 on 25 May, but fell to Rs 20 on 9 November, or 31 per cent less than a year before. The rise in food prices and the increased necessity for import of cereals, which handicapped the whole economy, drew increasing attention to the need for expanding domestic cereal production. The Government not only raised the budgeted capital expenditure on agriculture by Rs 7.2 million to Rs 27.2 million for the fiscal year 1957/58 but also set up an Agricultural Bank with the object of providing farmers with cheap short-, medium- and long-term loans.[3]

In the Philippines the rice crop in 1956/57 was some 1.3 per cent above the level of the previous year and the production of maize and root crops was substantially larger. The National Rice and Corn Corporation's buying price for paddy was raised from 8.50 pesos per cavan,[4] ex Manila, to 9.00 pesos. The NARIC's purchase of paddy totalled approximately 126,700 tons in fiscal 1956/57 compared with 59,140 tons in the previous year. Wholesale prices of rice, already somewhat higher in the first part of 1957 than a year earlier, rose sharply afterwards, partly because of speculative buying by traders in anticipation of possible strengthening of price supports for producers, and partly because of lateness in the arrival and distribution of foreign rice. During the first ten months of 1957, imports of cereals amounted to 255,000 tons as compared with 189,000 tons in the corresponding period of 1956.

Rice exporting countries

In Burma, the 1956/57 rice outturn, at nearly 6.5 million tons in terms of paddy, was 10 per cent higher than the 1955/56 output. Though the total was still 7 per cent below the prewar average, yield per hectare exceeded the prewar level by 13 per cent. By the end of 1956 the carryover stocks of previous crops had been greatly reduced, but the increased output in 1957 made it possible to continue exports at a high level. The export price of rice for small mills special, 42 per cent broken, on a government-to-government basis, was further reduced by 8.3 per cent compared with the price charged in 1956. During 1957, shipments of rice from Burma totalled 1.88 million tons compared with 1.86 million tons in 1956. In the fiscal year 1956/57, the Government provided for greatly increased expenditure on agricultural development, including 18.3 million kyat for expanding paddy production by bringing 80,000 hectares of abandoned land under cultivation and raising the yield per hectare.

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[1] Summer grain crops—wheat, barley, naked barley and rye—harvested in the spring of 1957 were also substantially smaller than in the previous season.

[2] One maund equals 37.322 kilogrammes.

[3] Moreover, the setting up of an Agricultural Commission is under consideration with a view to studying the existing land tenure system and suggesting necessary reforms.

[4] One cavan (75 litres) of paddy weighs 44 kilogrammes.

The output of paddy in Thailand in 1956/57 was estimated at a peak of over 8.3 million tons, exceeding that of the previous year by 13 per cent. In the first half of 1957, active demand abroad resulted in a great increase of rice exports, especially for white rice of 25 per cent broken and lower grade, leading to relative scarcity of available supplies. In July export premiums were raised.[1] and in August exports of white rice 25 per cent broken and lower grades were suspended, and finally export quotas were imposed on rice.[2] The aim of these measures was to ensure an adequate supply to consumers at home and at the same time to encourage export of better grade rice which earned more foreign exchange. As a result export prices rose; later, however, they fell back to some extent, owing partly to an improvement in the prospects for the new harvest as a result of late rains and partly to the movement of supplies from up-country, facilitated by high water levels. The export price (f.o.b. Bangkok) of white rice 15-17 per cent broken was £50 per ton at the end of November 1957 as compared with £44 in the beginning of the year and £56/10/– in late August. Estimated shipments of rice from Thailand during 1957 as a whole totalled 1.57 million tons as against 1.27 million tons the year before.

In China, the 1956 rice crop in Taiwan was more than 11 per cent above that of the previous year. The first crop of 1957 moreover set a new record, exceeding that of 1956 by nearly 3 per cent, and the output of sweet potatoes, wheat and pulses was also larger. The government purchase price of paddy was maintained at the same level as for the second rice crop of 1956, or NT$163 per 100 kilogrammes. The wholesale price of rice, however, rose in 1957 and in September was nearly 20 per cent higher than a year before. During the first eleven months of 1957, exports of rice from Taiwan amounted to nearly 98,000 tons as against 90,000 tons in the corresponding period of 1956. Under the second four-year development plan (1957-1960) the 1960 target for rice production was set at some 15 per cent above the 1956 level.

On the mainland, despite serious damage caused by floods, typhoons and drought in a number of districts, the recorded 1956 output of foodgrains exceeded the 1955 good harvest by 4.4 per cent, as mentioned above, though it fell 4 per cent short of the planned target. The output of soya beans was reportedly 12 per cent larger in 1956 than in 1955. The increases in grain production in recent years were attributed to extension of irrigation systems and greater use of advanced techniques, and also to collectivization of agriculture, which was basically completed in 1956. In spite of increased output, however, state collections and purchases of foodgrains and soya beans in 1956/57 declined as compared with the previous two years, so that a smaller exportable surplus presumably resulted. During the first eight months of 1957 exports of rice from mainland China were provisionally estimated at 117,000 tons,[3] or about half the corresponding figure in 1956.

In Cambodia and southern Viet-Nam, rice production in 1956/57 surpassed the levels of the previous season by 28 per cent and 30 per cent respectively. The higher output allowed for increased export availabilities as well as for some easing of rice prices. During the first nine months of 1957, Cambodia's rice exports amounted to 198,000 tons, or almost four times the corresponding figure for 1956. In southern Viet-Nam, after one-and-a-half year of interruption caused by poor harvests, rice exports were resumed in early 1957.[4] During the first eleven months, shipments totalled 178,000 tons.

Prospects for the food situation

Although precise estimates of cereal crops harvested towards the close of 1957 or early in 1958 were not available at the time of writing, it appeared that in the traditional rice exporting countries—Burma, Cambodia, southern Viet-Nam and Thailand—the lateness of the southwest monsoon had not only delayed the rice harvest but also reduced the output. It was expected that carryover stocks in both Thailand and Burma at the beginning of 1958 would not differ much from the low level of the previous year so that the amount of rice available for export in 1958 from these countries was likely to be smaller than in 1957. In China, the 1957 foodgrain production on the mainland was provisionally estimated at 185 million tons, a slight increase over 1956. In Taiwan, the rice crop harvested towards the end of 1957 was reported to be slightly above that of 1956, so that export prospects seemed good.

In food importing countries, the rice crop harvested in Japan in the autumn of 1957 surpassed the 1956 near-record output by more than 8 per cent.

[1] The premium (additional export duty) for white rice of better grade than 25 per cent broken was raised from baht 840 to baht 935 and that of lower (poorer) grades from baht 570 to baht 600 per ton.

[2] Under this quota system, each rice merchant, during the second half of 1957, was allowed to export only 30 per cent of the quantity he had been entitled to export in the first half of the year. The ratio was later increased to 45 per cent and 48 per cent. The export of glutinous rice, however, was not subject to this quota.

[3] Derived from returns of importing countries.

[4] In order to facilitate the resumption, the Government gave rice exporters a special advantage with regard to the conversion of foreign exchange. According to the new rule, rice exporters are permitted to convert 34 per cent of their earnings from foreign transactions in rice at the free exchange rate of about 75 piastres to one United States dollar instead of at the official rate of 35 piastres to the dollar.

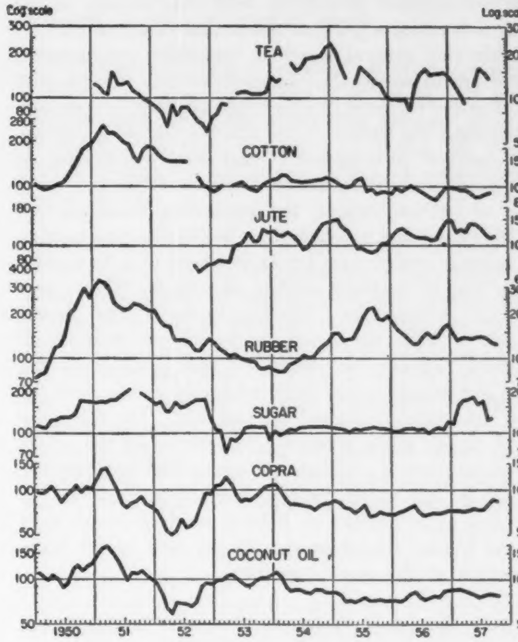
This bumper crop in the third consecutive year[1] can be expected to ease the food situation still further but, in view of the trade promotion policy, it appears unlikely that imports of rice will fall below the low level of 1957.[2] In southern Korea a good 1957 rice crop, reportedly exceeding the poor 1956 harvest by 21 per cent, indicates a probable decline in import requirements for cereals in 1958. In India it has been reported that drought conditions have greatly reduced rice crop prospects in the northeast where over half of India's rice acreage is located. Consequently, imports of cereals into India in 1958 are likely to be maintained at a high level.[3] Although the first forecast of the 1957/58 rice crop in Pakistan showed a slight increase in acreage, the Government had already arranged for imports to meet part of a possible deficit of some 500,000 tons of rice in East Pakistan during 1958.[4] In both Ceylon and Indonesia, drought and floods are reported to have adversely affected rice crops, so that requirements for cereals in 1958 are likely to be at a high level. Thus, except for Japan, the prospects for the food situation in the principal importing countries in 1958 do not seem very favourable. In the face of probable decreases in export availabilities from the rice exporting countries of the region, the total import demand for cereals of the importing countries of the region is likely to be no less strong in 1958 than in 1957. Imports of cereals from other regions might well, therefore, continue to be large.

RUBBER

The price of rubber (No. 1 RSS, Singapore), which fell from the Korean boom level of M$1.70 (1951 average) to around M$0.67 cents a pound in 1953 and 1954, recovered to an average of M$1.14 in 1955. While declining rather steadily since then, it has so far stayed within a moderate range, averaging nearly M$0.97 in 1956 and about M$0.89 in 1957.

Though the elasticity of rubber supply is not high, the changes in rubber production in the ECAFE region have shown a definite correlation with price movements. A new record for the region, 1,812,000 tons, was reached in 1955. The following year's production was about 2.5 per cent smaller. The figures for the first ten months of 1957 indicated, howover, that the 1955 level might again be reached, thanks mainly to higher production in Indonesia,[5] and to a lesser degree in Malaya and Ceylon.

Chart 1. ECAFE Countries: Price Indexes of Export Commodities, 1950-1957
(1953=100)



NOTE: The following specifications apply to the commodities listed in chart 1:
Tea: Leaf, for export, Calcutta, auction price exclusive of export duty and excise.
Cotton: 289 F. Punjab SGF, Karachi, local spot prices in terms of US dollars, including export duty.
Jute: Raw, white, bottom, Narayanganj, prices in terms of US dollars.
Rubber: R.S.S., No. 1, f.o.b. Singapore.
Sugar: Cane sugar, all kinds, f.o.b. Taiwan ports.
Copra: Resecada, Manila.
Coconut oil: White, naked, wharf delivery, Colombo.

Exports of rubber from the region have largely recovered from their 1952-1953 decline.[6] The 1951 peak of 1,771,000 tons has not been quite regained, but the 1955 exports, at 1,769,000 tons, were only a fraction below it. Exports in 1956 were 4 per cent below 1955. The figures for the first ten months of 1957 indicated that a level only slightly below that of 1955 might again be reached.

[1] An official announcement states that the heavy rice crop is attributable not so much to favourable weather conditions as to the raised level of normal production as a result of technical improvements such as land improvement, extension of improved varieties and improved nurseries, improvement in use of fertilizer, effective pest and disease control and progress in mechanization.

[2] For the period covering October 1957 to March 1958 the Government allocated foreign exchange for the importation of about 540,000 tons of rice including 390,000 tons from the ECAFE region.

[3] Before the end of 1957 the Governnment of India had already placed order for the import of about 660,000 tons of rice in 1957/58 as against actual imports in 1956/57 of 564,000 tons.

[4] In addition to the expected imports of US surplus cereals under the new Agreement, the Central Government has entered into agreements with Burma and Thailand for the purchase of amounts aggregating 150,000 tons of rice annually during 1958 and 1959.

[5] In Indonesia rubber prices were higher in 1957 than in 1956.

[6] Exports from the region in 1953 were 1,584,000 tons.

The world consumption of all new rubber (natural and synthetic) rose between 1950 and 1956 by 32 per cent to 3,087,000 tons. The trend continued in 1957: the consumption during the first nine months of the year was about 4 per cent above that of a year earlier. Within this general trend of increasing consumption there are three significant developments. One is that most of the increase has been taking place in countries other than the United States and the United Kingdom. The second development is that only one-quarter of the additional consumption between 1950 and 1956 was of natural rubber, the remaining three-quarters of the gain going to synthetic. While the consumption of natural rubber rose by 11 per cent to 1.94 million tons, that of synthetic rubber shot up by 95 per cent to 1.15 million tons. Thirdly, in the United States, which in 1956 consumed nearly 80 per cent of all synthetic rubber, the share of that product in the total consumption has been relatively stable over the last few years at around 60 per cent. On the other hand, in all other consuming countries of the world the proportion of synthetic rubber to total consumption is, while still much smaller, increasing rapidly. In the first eight months of 1957 it reached 24 per cent in the United Kingdom and 18 per cent in the other countries of the world together.

On the basis of the current rate of replanting and new planting in the producing countries, no raising of the rate of increase of world natural rubber production is anticipated. On the contrary, unless planting is stepped up in some of the producing countries, a levelling off is foreseen. Synthetic rubber manufacturing capacity, on the other hand, is expected to grow rapidly—both in the United States, which is likely to export increasing quantities of the product, and in other consuming countries. The position of natural rubber in the United States, however, gives grounds for confidence in the ability of natural rubber to compete with synthetic in a wide range of uses, if prices are reasonable. Although the price of natural rubber in the last several years has usually been above that of the competing synthetic types, natural rubber has accounted for around 40 per cent of the total rubber consumed in that country, and the fluctuations in its proportional usage have tended to be associated with the ratio of its price to that of synthetic rubber.[1]

Tea

Since the war there has been an irregular upward trend in the region's tea production, and a postwar peak of 1,392 million pounds was reached in 1955.[2] In 1956 the increase continued, though at a very much slower rate, in India and in Pakistan, but these increases were more than offset by decreases in Ceylon, Indonesia, and Japan, and the regional total for 1956 was slightly below 1955. Data for the first nine months of 1957 indicated that the Indian and Pakistani crops were likely to be somewhat below the 1956 level. Ceylon and Indonesia, however, appeared to have larger crops and the 1957 production in the region as a whole might have slightly exceeded that of the previous year.

Tea export from the ECAFE region,[3] which had sunk to only 863 million pounds in 1955, recovered to 1,019 million pounds in 1956. During the first nine months of 1957, the exports from Ceylon and Indonesia were somewhat above those of 1956, but exports from India were running 16 per cent below the latter year, and the year's total for the region as a whole was expected to be slightly smaller than that of 1956.

World imports of tea reached in 1954 an all-time high of 1,047 million pounds. While the subsequent imports have — apparently also in 1957 — remained below that level, the moderate upward trend which has prevailed since the war is apparently still continuing. Per capita consumption in the main tea importing countries has in the past several years grown but little, and the prospect of further increase is not very good. Between 1949-1951 and 1956 the combined imports into the four chief consuming areas[4] increased by only 7.5 per cent, as compared with an increase of 28 per cent in imports into the rest of the world combined. The countries where the consumption has been increasing most rapidly are those of Near and Middle East (70 per cent between 1950 and 1955), North Africa (26 per cent), and continental Europe (40 per cent). The prospects of further increase of exports into the two first mentioned areas are considered good, especially for lower quality teas.

A significant feature of the tea situation is the considerable increase in tea consumption during the postwar years in the producing countries of the ECAFE region, especially India, Pakistan and Japan. Though statistics on domestic consumption are not very reliable, it would appear that the annual con-

[1] The question of the relative prices of natural and synthetic rubber is examined in chapter 5 below. See that chapter also for trends in other agricultural commodities whose current position is dealt with in this section.

[2] Excluding mainland China. Tea production in that country in 1956 was reported as 266 million pounds, an increase of 12 per cent over 1955. It feel to 249 million pounds in 1957.

[3] Excluding mainland China, for which data are not available.

[4] United Kingdom and Ireland, United States, Canada, and Oceania. Most of the rapidly increasing exports from East Africa go to the United Kingdom, which further affects the ECAFE region's position in that market.

sumption of domestic tea in Pakistan rose from less than 20 million pounds on average in 1948-1951 to over 30 million in 1952-1955, thus considerably reducing the export availability from Pakistan's rather stable production. In Japan, domestic consumption has kept pace with the rapid postwar increase in production, rising from around 65 million pounds per year in 1948-1951 to about double that amount in the last few years. In India, apparent consumption rose from an annual average of 155 million pounds in 1948-1949 to about 177 million pounds in 1953-1954, and to as much as 210-240 million pounds in years of low prices and small exports such as 1952 and 1955. Given moderate price levels, this upward trend is likely to continue as a result of higher real incomes and, in some countries, the wider adoption of tea drinking. Even small increases from the currently very low levels of annual per capita consumption (about 1/3 pound in Pakistan, ½ pound in India, 1½ pounds in Japan) would be significant in the aggregate in such huge markets.

Following the continuous decline from a very high level in 1954, an upturn in tea prices occurred in mid-1956, accentuated by the Suez crisis in later months. The average price of all export tea at Calcutta in December 1956 was about 4 shillings 8 pence per pound, compared with just over 3 shillings in June. In early 1957 there was a steady fall, to 2 shillings 4 pence in April. The new season's tea met with a good demand and, thanks partly to improved quality, the Calcutta export price picked up to over 4 shillings in July. By end of November, however, the price had again declined to just over 3 shillings a pound, about 20 per cent below the price a year earlier. In Colombo the average price of export tea was even lower.

Copra and coconut oil

The ECAFE region's production of copra increased rapidly between 1953 and 1956. The previous peak, 2.50 million tons in 1951, was exceeded in 1955 with 2.55 million tons, and a further increase to 2.60 million tons took place in 1956. The 1957 picture is not yet clear. Production increases in the Philippines were partly offset by declines in the Federation of Malaya and Ceylon.

The region's copra exports also increased substantially, from 954,000 tons in 1953 to 1,348,000 tons in 1956,[1] and the high level of 1956 exports was probably maintained but not significantly improved on in 1957. Exports of coconut oil manufactured from domestic copra rose from 174,000 tons in 1954 to 250,000 tons in 1956, nearly reaching the 1951 record of 251,000 tons. The 1957 exports, however, promised to be considerably lower.

The consumption of coconut oil in the region is estimated at around 700,000 tons, as against about 500,000 tons before the war. The increase is likely to continue at least in step with rising per capita incomes, since the per capita intake of visible fat is still quite low.

The expansion of the region's production and exports largely reflects developments in the Philippines, where production of copra increased steadily from 0.86 million tons in 1952/53 to 1.26 million tons in 1956/57. Philippine exports of both copra and coconut oil increased from 1952 at a similar rate. The results in 1957 were less satisfactory, however. Exports of copra were maintained during the first eleven months of 1957 at the previous year's level, but exports of coconut oil fell off by 8 per cent and the oil equivalent of the total exports thus decreased slightly.

The production of copra in Indonesia has fluctuated in recent years around a level only slightly above the 1934-1938 annual average of 715,000 tons. With domestic demand rising, exports declined from a postwar record of 544,000 tons (including an estimate for unrecorded shipments) in 1951 to an average of about 250,000 tons in 1955 and 1956. Conditions in 1957 appeared more promising; the political situation, however, may have affected the volume of copra exports in the closing months of the year.

Production of copra in Ceylon has declined in the last two years as a result of prolonged drought followed by floods at the end of 1957. Exports of coconut products declined in consequence by about 13 per cent in 1956, to 58,700 tons of copra and 86,300 tons of coconut oil, and even more drastic reductions took place in 1957. In the Federation of Malaya, production and imports of copra have been more or less stable since 1950. Less of the product is now exported in the form of copra, and more as coconut oil. The increase in exports of coconut oil has, however, been somewhat checked by an increase in domestic consumption. Both exports and imports of copra in 1957 were exceptionally high: exports during January-September 1957 amounted to 79,200 tons, or nearly four times those for January-September 1956 and imports during the same period, at 131,000 tons, were about 50 per cent above those of the corresponding period a year earlier. Exports of coconut oil were at a level about 3 per cent below those of the previous year.

[1] Regional figures on exports of copra exclude exports from the Federation of Malaya, a net importer.

Sugar[1]

In line with the world trend, sugar production in and also exports from the countries of the region have increased substantially in the last few years. The combined output of India, the Philippines, China (Taiwan) and Indonesia—the four chief producing countries in the region, excluding mainland China[2]—rose from 3.7 million tons in 1954 to 4.6 million tons in 1956. A further increase of perhaps 5 per cent was expected in 1957. The combined exports from Indonesia, China (Taiwan) and the Philippines, which had decreased by about 100,000 tons to 1.65 million tons in 1954, increased to 1.86 million tons in 1956, and available data indicated the possibility of a further slight increase in 1957.

The trends in individual countries have varied. In Indonesia, production has gone up rather steadily. Domestic consumption has, however, increased in recent years even faster, and exports have consequently decreased each year since 1954. During the first seven months of 1957 they were less than half of the corresponding exports a year earlier. Production of centrifugal sugar in China (Taiwan) stood at 803,000 tons in 1956, far below the 1953 peak of 967,000 tons. The January-May production in 1957 was, at 658,000 tons, about 10 per cent above the corresponding figure a year earlier.[3] Exports have kept well abreast of production. The figure for the first seven months of 1957, 578,000 tons, was 34 per cent above the corresponding figure for 1956. In the Philippines, on the other hand, production of centrifugal sugar has decreased every year since 1953/54, and the 1956/57 production, at 1.11 million tons, was 15 per cent below the 1953/54 figure. As domestic consumption has simultaneously increased, the Philippines was able to fill its 1957 export quota to the United States only by permitting the exportation of some sugar produced in the 1957/58 season. Hence difficulties may arise in filling the 1958 export quota.

The production of centrifugal sugar in India has grown steadily in the last few years, and the record production of 1.89 million tons in 1955/56 was again topped in 1956/57, with 2.06 million tons. As a result, India has ceased to import sugar, and exported during the first seven months of 1957 some 83,000 tons. Somewhat larger exports are foreseen in future years. The import of sugar into Japan reached a new record of 1.17 million tons in 1956. Total imports for the first seven months of 1957, 673,000 tons, were about 5 per cent below the corresponding level of 1956.

[1] The trends of sugar prices and the problems of the International Sugar Agreement are discussed below in chapter 5. The figures used in this section are from the International Sugar Council.

[2] In mainland China, sugar production is reported to have risen by 53,000 tons to 853,000 tons in 1957 (New China News Agency, Press Release, Peking, 2 January 1958).

[3] In China (Taiwan), sugarcane is harvested from November to May; no sugar is produced during the rest of the year.

Jute

Production of jute, sensitive to prices of both jute and rice in the jute producing areas,[4] has shown wide fluctuations in the postwar years.[5] Taking the production of India and Pakistan together, there have been two periods of expansion since the war, the first running until 1952/1953, when a total of 2.32 million tons was produced.[6] The second expansion began after a slump to 1.44 million tons in 1953/54, following a drop by about one-half in the price of jute; this rise carried the total for the two countries back up to 2.24 million tons in 1955/56. The 1956/57 production was slightly less, 2.21 million tons, and a further decline was expected in 1957/58.[7] Pakistan's share of the total production of the two countries has declined from 75 per cent in 1948/49 to 53 per cent in 1956/57.

The development of the total demand for jute can be conveniently studied from three series of data—those on exports of raw jute from Pakistan to overseas (i.e. to countries other than India) and also, prior to 1950/51, exports of raw jute from India; those on consumption of raw jute in Pakistan; and those on consumption of raw jute and mesta in India (table 3).

There has been an irregular upward movement in Pakistan's overseas exports of raw jute, from an average of 466,000 tons in 1948/49-1950/51 to an average of 726,000 tons in 1953/54-1955/56. Mill consumption in Pakistan has increased rapidly since 1951/52 and reached 131,000 tons in the first 11 months of the 1956/57 season. By the end of 1957, an annual rate of 200,000 tons was expected to be reached. The annual average mill consumption in India in 1953/54-1955/56 was, at 1.12 million tons, slightly above the 1948/49-1950/51 average of 1.06 million tons. The industry in India has drawn its supplies to an increasing extent from domestic production; the share of raw materials imported from Pakistan has dropped from about one-half in the years immediately after partition to about 20 per cent in 1955/56 and about 10 per cent in 1956/57. A further decrease of the imported share is expected during the next few years. The combined effect of these trends

[4] For an analysis of the relationships between production of jute and prices of jute and rice, see two recent FAO studies, (1) *Jute, a Survey of Markets, Manufacturing and Production* (Commodity Series Bulletin No. 28), and (2) "The Economic Determinants of Jute Production", *Monthly Bulletin of Agricultural Economics and Statistics*, September 1957.

[5] The corp year for jute, as for food crops, is from July to the following June.

[6] Data on production and consumption of jute in India include both true jute and mesta (kenaf), a close substitute. The production of the latter in India has increased rapidly in recent years to about 26 per cent of the combined production of jute and mesta in 1956/1957.

[7] Mainland China's production of jute and mesta was officially reported to have been 261,000 tons in 1956. Other countries of the region produce only minor quantities.

Table 3. India and Pakistan: Estimated Industrial Demand for Raw Jute, 1948/49-1956/57[a]

(Thousands of tons)

Year	*Exports overseas from*		*Mill consumption*			*Stock changes, Indian mills*	*Estimated industrial demand*
	Pakistan[b]	*India*	*India*	*Pakistan*	*Total*		
1948/49	322	163	1,191	—	1,191	—70	1,606
1949/50	313	110	966	—	966	—86	1,303
1950/51	763	—	1,026	—	1,026	+32	1,821
1951/52	581	—	1,103	2	1,105	—17	1,669
1952/53	684	—	1,025	18	1,043	+39	1,766
1953/54	683	—	996	51	1,047	+ 9	1,739
1954/55	709	—	1,136	62	1,198	—30	1,877
1955/56	785	—	1,237	133	1,370	+ 3	2,158
1956/57	597[c]	—	915[d]	131[c]	...	+22	1,900[e]

Source: Indian Jute Mills' Association, Government of East Pakistan Jute Department, Government of Pakistan Central Statistical Office.

[a] In the case of India, includes mesta.

[b] Excluding exports to India.

[c] Eleven months.

[d] Indian Jute Mills' Association mills only—represents about 90 per cent of total.

[e] Estimate.

is an increase in the total industrial demand for Indian and Pakistani raw jute from 1.6 million tons in the years immediately after the partition to an average of nearly two million tons in the last few years.

Most of the world's jute—around 80 per cent—is used for bags and other forms of packaging. The main competition comes, therefore, from alternative packaging materials, especially paper, and from the development and expansion of the use of bulk handling methods in transport and storage. Indications are that there has been a considerable increase in the use both of bulk handling methods and of alternative packaging materials. These trends are not likely to be reversed. On the other hand, increased demand for jute goods for packaging and other uses is expected to be generated by the growth of agricultural production in Asia (requiring jute bags for transportation and storage of products), as well as by general economic development.

With these conflicting influences at work it is certain that the relative level and the stability of raw jute prices will be of crucial importance in the competitive picture. After the drastic drop in the 1952/53 season, jute prices recovered considerably; the 1955/56 average price of raw jute (jat white bottom, wholesale at Narayanganj) was Rs 27/6 per maund, following which a further increase of about 20 per cent to an average of Rs 32/10 per maund took place in 1956/57. The 1957/58 season, however, started with what looked like a return towards the 1955/56 level, and the competitiveness of jute improved somewhat again. Certainly, the wide fluctuations of raw jute prices compared with those of alternative materials remain a serious long-run handicap, as it has proved very difficult to regain markets once lost, during periods of high prices, to other materials.

Cotton

The year 1956/57[1] was significant for the world cotton economy, in that world consumption of cotton, 29.5 million bales[2] (excluding mainland China, the Soviet Union and Eastern Europe), was for the first time since 1950/51 larger than world production, 28.8 million bales. World stocks of cotton declined by 1.7 million bales. A further decline in stocks was anticipated in 1957/58.

In the ECAFE region (excluding mainland China), cotton production continued the nearly uninterrupted upward trend since the war and in 1956/57 reached 5.71 million bales, 2.6 per cent over the previous season.[3] Of this total, India produced 4.05 million bales and Pakistan 1.40 million. Further increases were expected in the 1957/58 season, to 4.30 million bales in India and 1.45 million bales in Pakistan.

[1] The crop year for cotton is from August to July.

[2] 1 bale=478 pounds net=216.8 kilogrammes.

[3] Production in mainland China was reported to be equivalent to 7.57 million bales in 1957/58, as compared with 6.69 million bales in 1956/57 and 7.01 million bales in 1955/56.

The recovery of Japan's cotton consumption was responsible for nearly half of the 80 per cent increase in the region's cotton consumption since 1948/49-1950/51, to 8.97 million bales in 1956/57. A highly significant development has been the increase in domestic cotton consumption during the same period in India and Pakistan, from 3.39 million to 4.50 million bales in the former, and from 0.13 million to 0.845 million bales in the latter. In some of the smaller consuming areas, too, such as China (Taiwan), Hong Kong and southern Korea, there has been a great increase.

As Pakistan, the region's largest exporter of raw cotton, has thus been consuming domestically an ever larger share of its crop—60 per cent in 1956/57 as against an average of 12 per cent in the first three post-partition years—its exports of raw cotton have since 1952/53 been reduced by 60 per cent, to 508,000 bales in 1956/57. A comparison of the targets of Pakistan's draft five-year plan for cotton spinning capacity and raw cotton suggests, however, that somewhat larger exports than in recent years can be expected to be available in the future. Under India's second five-year plan the production of cotton is to be increased to 5.3 million bales in 1960/61. Most of the increase will go to meet the anticipated expansion of domestic demand for textiles, and no great changes are foreseen in the current level of exports of surplus short-staple cotton, which has averaged about 0.3 million bales annually in the last five years.

Japan's raw cotton imports have risen steadily from the very low level of the early postwar years, but they still remain below the prewar level. The 1956/57 imports of 2.96 million bales were 24 per cent above those of the previous season. Owing to the high level of stocks and to a less favourable foreign exchange situation, however, imports of cotton in 1957/58 are expected to be smaller. While most of Japan's cotton imports come from outside the ECAFE region, Japan is nevertheless the main customer of both India and Pakistan, generally taking something like one-half of the former's and 30-35 per cent of the latter's cotton exports.[1]

World cotton prices declined in the 1955/56 season following the United States' announcement that it would export cotton at competitive prices. Despite partial recovery, prices have since remained on the whole below the earlier level. Some lift occurred, however, in the early months of the 1957/58 season. The lower price level has made cotton somewhat more competitive with rayon, although the latter is still the cheaper of the two. In the ECAFE region, Japan is the only country where the use of rayon and other man-made fibres as raw materials of the textile industry has reached significant proportions. In 1956, an amount of rayon equivalent in weight to 1.9 million bales of cotton was produced there for domestic use, as compared with consumption of cotton in 1956/57 of 2.83 million bales. The rayon production capacity of Japan is being rapidly expanded and it is expected that in the future the share of cotton in the combined consumption of the two raw materials will decline further. While the consumption of rayon in India has increased rapidly in recent years—by nearly 100 per cent between 1953 and 1956—it still accounts for only 5 per cent of consumption of cotton and rayon combined.

Summary comments on the food and agricultural situation

The development in the region of the food and agricultural situation as a whole, if examined in the context of general economic progress, is characterized by several broad trends.

The production base of agriculture is in general being slowly raised, and larger supplies of agricultural products are flowing from the farm lands of the region. However, the quantities of foodstuffs, demanded by the growing populations of the region, most of which are also gaining in purchasing power, are apparently increasing at a faster rate than domestic food production.

Gains in the availability of basic food supplies per head are being achieved, but there is a tendency for increasing quantitative reliance to be placed on imported supplies, entailing increased allocations of foreign exchange to the extent that imports cannot be obtained by special purchase in local currencies.

Receipts for exports of other agricultural products, largely raw materials for industry, constitute a major part of the foreign exchange earnings of many food importing countries of the region. These receipts are subject to several adverse influences. Increasing usage of some export products in the producing countries themselves is reducing the proportion of output available for export, and in certain cases overseas demand is being weakened by the increasing use of substitutes. In 1957, prices of some important export commodities declined.

Food imports, unless obtained on concessional terms, compete for foreign exchange with capital goods needed to implement economic development programmes. Since, therefore, the real gain in available supplies of food per head in the region in 1957 results in part from enlarged commercial imports of

[1] In 1956/57, however, Japan took 51 per cent of Pakistan's cotton exports.

foodgrains, the improvement could be regarded as having been, to that extent, achieved at the expense of general economic development.

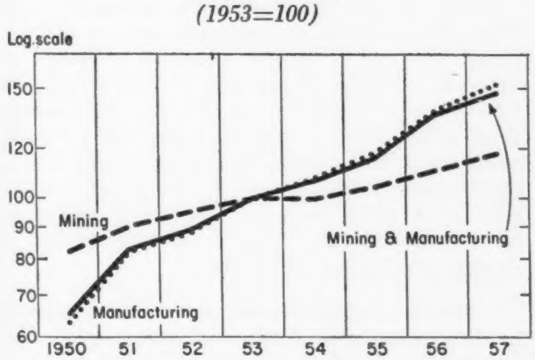
Hence, a more rapid rate of increase and higher efficiency in production of both food crops and export crops, and more diversification of the agricultural output, are essential to relieve the handicaps imposed at present on general economic progress by domestic food shortages and limited foreign exchange earnings.

INDUSTRIAL PRODUCTION AND TRANSPORT

TRENDS OF INDUSTRIAL PRODUCTION IN 1957

In the year under review, when the world's manufacturing and mining activity showed marked signs of slackening and even of decline in some industries, particularly in the United States, industrial output in Asia and the Far East, too, was affected, but continued to grow at a relatively high rate. Between the first three quarters of 1956 and the first three quarters of 1957, manufacturing and mining production in Asia increased by as much as 11.4 per cent, as against about 3.5 per cent for the world as a whole and only 1.9 per cent for North America.[1] The postwar tendency of heavy and chemical industries to grow much faster than light consumer goods industries in the ECAFE region also continued in this period with accentuated force. The levels of output of basic metals and metal products were respectively 20.7 per cent and 14.1 per cent higher in the first three quarters of 1957 than in the corresponding period of 1956.

Chart 2. ECAFE Region: Industrial Production Index, 1950-1957
(1953=100)



These high rates of industrial growth do not, however, reflect the true picture of the general situation throughout the region. In fact, this speedy development was limited to a few countries with a relatively well developed industrial basis. In most cases, also, the output levels from which growth was measured were still very low.

But the outstanding trend in 1957, in the region as elsewhere in the world, was a definite slowing down of the pace of industrial progress. This tendency in the ECAFE region appeared to be even more marked in the second half of the year than in the first half, and it was clearly observable in Japan and India, which between them produce about three-quarters of the manufacturing and mining output of the region excluding mainland China.

The limiting factors varied for different countries, but factors on the supply side were generally the most important—foreign exchange difficulties, bottlenecks in the supply and distribution of raw materials, a relative increase in raw material prices and a continued scarcity of capital and technically trained personnel. The shortage of raw materials, whether imported or domestically produced, operated against the full utilization of installed industrial capacity in many countries. Balance of payments difficulties interfered with the planned importation of machinery and equipment and sometimes even interrupted imports of replacement parts for existing industrial establishments. The closure of the Suez Canal (during the last quarter of 1956) led, in the first quarter of 1957, to higher prices for, and delays in the delivery of, capital goods, and this slowed down industrial production.

Analysis of the industrial situation in the region is hampered by the lack of adequate data for many countries. However, the trends in 1957 may be examined for three distinct groups of countries or areas. First, there are what may be referred to as the countries of comparatively advanced and accelerated economic growth—Japan, India and China. Their rates of industrial growth, after achieving peaks in 1956, slowed down in 1957 owing to temporarily reduced rates of capital formation.[2] Secondly, there are economies—Hong Kong, southern Korea, Pakistan and the Philippines—which have continued or even accelerated their growth in industrial production in 1957, though in Pakistan and the Philippines there was a slight tapering off. Thirdly, there are all the other countries for which data for 1957 are available. These have experienced only a little industrial growth —whether because of the absence of adequate basis

[1] Indexes of industrial production for 1948 to first three quarters of 1957 are given in United Nations Statistical Office, *Monthly Bulletin of Statistics*, February 1958. The figures exclude the Soviet Union, mainland China and East European countries.

[2] In the case of China, this is applicable to the mainland. In Taiwan the trend in 1957 was different, showing features common to the second group of countries.

for industrialization, or because of balance of payments difficulties, or perhaps for lack of planned effort to increase industrial production.[1]

Of countries in the first category, Japan showed a continued growth of industrial production, in the wake of the investment boom of 1956, through the first half of 1957. But the restrictive monetary and investment policy necessitated by the rapidly deteriorating balance of payments cut the rate of investment and induced downward adjustments in production and inventories in the second half of the year. Industrial activity definitely turned downwards in August. In November, the output level fell below that of the first three months of the year, and stood 9 per cent higher than in the corresponding month of 1956 (whereas the level of May 1957 had been 21 per cent higher than that of May 1956). The cut back in fixed investment was reflected in the reduction of new orders for machinery by the private sector from a monthly average of 44.8 billion yen in the first quarter of 1957 to 15.1 billion yen in October. While investment remained at a relatively high level in basic industries such as electricity, steel and coal, the burden of adjustment in inventories was felt severely even in steel as well as in the textile, soda and pulp industries.

In India, after the index of industrial production had reached 135 in 1956 (1953=100), a 17 per cent increase over 1955, there was a dip to 133 in the first quarter of 1957. This decline was attributable to difficulties in the balance of payments, with large expenditures on food imports interfering with imports of machinery and replacement parts, which caused some industrial projects to be revised or cut back. The closure of the Suez Canal late in 1956 also appears to have interrupted the regular supplies of capital goods. Industrial production picked up rapidly, however, in the second quarter of 1957, and the industrial index reached a peak of 149. From there, it again tended to decline in the third quarter to 141.

In China, industrial production on the mainland is reported to have increased by 7 per cent in 1957 over the previous year—an increase which, though substantial in itself, is relatively unimpressive when compared to the 31 per cent rise in 1956 over 1955. In fact, it would appear that, among the ECAFE countries, the rate of increase in industrial production had, in the period 1952-1956, been the highest in mainland China. This relative slowing down of growth in 1957 can be primarily accounted for by a 15 per cent reduction in state investment in capital construction from 14 to 11.89 billion yuan, reduced imports of capital goods and raw materials and a shortfall in certain crops, particularly raw cotton and oilseeds, in 1956. Nevertheless, the production targets of 1957 were reached and even exceeded.

In Taiwan, industrial production excluding sugar rose by 13 per cent in 1957 (up to September), as compared with a much lower rate of increase of 6.1 per cent for the whole year 1956, chiefly because of higher export earnings (mainly from sugar and rice) and, consequently, greater capacity to import capital goods and raw materials. Increased industrial production was also reflected in an increased share of industrial products in the export trade.

The second group of economies—Pakistan, the Philippines, southern Korea and Hong Kong, relative newcomers on the industrial scene—have registered substantial gains in industrial production in 1957. Even in this group, the pace of industrial growth slowed down in some cases, however. The index of industrial production in Pakistan (1954=100) rose to 142 in 1956 from 126 in 1955. If 1950 is taken as the base year—the period coinciding with the inauguration of the first five-year plan—the index moved forward to 355 in 1956. Industrial production continued to increase in 1957, but utilization of industrial capacity was somewhat limited on account of heavy food imports which, in a tight balance of payments situation, did not allow the necessary imports of raw materials and spare parts. In certain areas, inadequacy of power supply also restricted production.

In the Philippines, manufacturing production continued to increase in the first half of 1957 by 8 per cent over the corresponding period of 1956, though the rate of growth registered a decline as compared with the 27 per cent increase in the first half of 1956 over the first half of 1955. This slowing down of the advance occurred in spite of a steadily rising domestic demand for consumer goods and of the encouragement given by the Government in the form of tax concessions and of liberal dollar allocations for essential imports. One of the reasons was a shortage of imported raw materials.

Southern Korea showed a continuous upward trend in industrial production. Progress was, in fact, particularly marked in 1957 and was reflected in a rise of the industrial production index (1954=100) from 143 in 1956 to 211 in October 1957.

Hong Kong continued to attain the high level of industrial production in 1956, though the pace of development in 1957 seems to have slowed down a little. This was no doubt due in part to industrialization in neighbouring countries, coupled with restrictive

[1] In the Federation of Malaya, in which industry has made considerable progress, it appears that, owing to the relatively unfavourable situation for tin in 1957, the previous rate of growth of industrial production was not maintained.

import measures adopted by its trading partners. The proportion of locally produced goods in Hong Kong's total exports fell from 28.8 per cent in 1955 to 24.3 per cent in 1956 and 23.2 per cent in the first eleven months of 1957.[1]

The third group of countries, those which showed comparatively small increases in industrial activity, included Indonesia and Burma. In Ceylon, there was actually a more or less steady decline in industrial output in 1957. The difficulties in these countries resulted largely from acute foreign exchange shortages which prevented them from importing adequate quantities of goods to drive ahead with industrialization. The implementation of the development programme in Burma was held up for some time for lack of external finance. Ceylon suffered from a number of difficulties current in non-industrialized countries. The terms of trade went against primary products, adversely affecting the capacity to import capital equipment. There were a number of disincentives to investment in both the public and private sectors, such as the shortage of efficient management and skilled labour, the limited size of the home market and inability to compete fully with foreign suppliers. Private investment was furthermore hesitant because of uncertainties over government industrial policies. Attempts to encourage foreign investments in Ceylonese industries failed to meet with any marked response.

Different stages of industrial development

Even though industrial production continued to expand in several countries, its contribution in the net domestic product remained generally rather low. Japan, with its tradition of industrialization extending over a number of decades, stands out as the main exception. According to 1956 estimates, the share of manufacturing and mining in the net domestic product of Japan amounted to 28.3 per cent, which was much the highest among the countries of the region. In view of the already developed industrial capacity in Japan, the yearly variations in the percentage share of manufacturing and mining have been very slight.

Though the process of industrialization has not yet been carried very far in other parts of the region, various countries have reached markedly different stages of partial industrial development. For purposes of analysis, the countries in which the share of manufacturing and mining in the net domestic product stands close to 20 per cent may be classified as the "semi-industrialized" group. This group includes China (mainland and Taiwan), Hong Kong, India, the Federation of Malaya and Singapore. Even in countries like China and India, the level of production of major industrial items is comparatively low on a per capita basis (see table 4). However, the pace of industrial growth in recent years has been particularly speedy in these "semi-industrial" countries, and the percentage share of manufacturing and mining in net domestic product has continuously grown at an impressive rate. The share of manufacturing, mining and construction in net domestic product in India has been steadily carried forward from around 16 per cent in 1950 to 19 per cent in 1955. In China, the rapid advance of industrial production is reflected in the continuous rise in the relative contribution of manufacturing and mining to national income, from 15 per cent in 1950 to 19.5 per cent in 1956 in Taiwan, and to about 21.7 per cent on the mainland.[2]

Certain requirements—economic, technical and institutional—must be met before sustained industrial growth can take place. For example, the rate of saving in the economy is naturally of great importance, since substantial rates of investment are required for

[1]However, comparing the first eleven months of 1957 with the corresponding period of 1956, the proportion rose from 21.0 per cent to 23.2 per cent. During the same period the value of exports of locally produced goods from Hong Kong rose from HK$712 million to HK$732 million. The Government has undertaker a reclassification of trade statistics expected to be completed by 1959, whereby the proportion of locally produced exports in total exports is more adequately represented and will be higher than present figures indicate.

[2]Net industrial production as thus estimated for mainland China excludes handicraft production but presumably includes power production along with manufacturing and mining. For the concept of net national income in mainland China, see chapter 4, below.

Table 4. Selected ECAFE Countries: Per Capita Production of Major Industrial Items, 1956

Item and unit	*China*		*India*	*Japan*	*United Kingdom*
	Taiwan	*Mainland*			
Electricity (kWh)	229	30	25	801	1,702
Coal (kg)	257	189	104	506	4,405
Steel ingot (kg)	7	8	5	121	410
Cement (kg)	60	11	13	145	253
Cotton yarn (kg)	2.48	1.35	1.96	5.43	6.21

Source: (1) Mainland China: Chapter 4 below; (2) Others: United Nations, *Monthly Bulletin of Statistics* and *Economic Bulletin for Asia and the Far East.*

industrial development. As the progress in capital formation already achieved helps to facilitate further saving, it may be expected that the rate of industrial development will continue to be particularly pronounced in countries with a somewhat developed industrial basis. But the recent experience in the region also shows that other, less developed countries are not bound to stagnate, especially if local savings can be supplemented by capital from outside.

Among the "non-industrialized" countries, the rise in industrial production was notably rapid in southern Korea and Pakistan. For example, in Pakistan, as a result of increased efforts to diversify the country's production, the share of manufacturing, mining and construction in net domestic product rose from 7 per cent in 1949/50 to 11 per cent in 1955/56. In fact, the annual rate of increase in production in some selected industries in recent years, including 1957, was much higher in these two countries than in the industrially more advanced countries of the region. In this field of industrial production, there is great scope for successful efforts to promote economic development.

THE PRODUCTION OF MAJOR INDUSTRIAL ITEMS

Preliminary figures of output of major industrial items in the ECAFE region in 1957 are summarized in table 5. The main development that comes to light—to the extent that conclusions for the year can be drawn from these returns for the first half of the year—is the different degree to which various industries participated in the general slowing down of industrial growth. The retardation was particularly marked in textiles (which actually declined), power, fertilizers and cement. Coal and petroleum raised or kept up their relatively high rates of increase.

In the field of fuel, production of both coal and petroleum increased in 1957 at a higher rate than in the previous year. In mainland China alone, the production of coal is estimated to have reached 123.9 million tons in 1957, or 17 per cent above the 1956 level. An output of 4.4 million tons was reached in Japan in July 1957 as against a monthly average of about 3.9 million tons in 1956. In India, the index of coal production, which was 111.4 in 1955 (base 1951=100), rose to 126.6 in 1956 and to 130.1 in

Table 5. ECAFE Region: Production of Major Industrial Items, 1952-1957

Item and unit	*1952*	*1955*	*1956*	*1957*[a]	*Percentage increase* 1957 over 1956	*Percentage increase* 1956 over 1955
Coal (millions of tons)[b]	148.68	179.69	197.79	225.68	14.1	10.1
Petroleum, crude (millions of tons)[c]	14.69	18.87	20.40	22.28	9.2	8.1
Electricity (billions of kWh)[d]	69.68	91.13	106.23	114.29	7.6	16.6
Iron and steel:						
Pig-iron (thousands of tons)[e]	7,259	10,779	12,611	14,531	15.2	17.0
Crude steel (thousands of tons)[f]	9,965	14,060	17,172	20,053	16.8	22.1
Cement (millions of tons)[g]	15.33	22.13	27.04	30.21	11.7	22.2
Ammonium sulphate (thousands of tons)[h]	2,363	2,968	3,302	3,381	2.4	11.3
Cotton textiles:						
Cotton yarn (thousands of tons)[i]	1,732	2,099	2,438	2,433	-0.2	16.2
Cotton cloth (millions of metres)[j]	10,178	11,492	14,320	14,109	-1.5	24.6
Paper (thousands of tons)[k]	1,897	3,059	3,606	4,164	15.5	17.9

[a] Annual rates for 1957 are based on statistics for January to June for the countries covered, except mainland China for which estimates for the full year are used.

[b] Including Afghanistan, China (Taiwan and mainland), India, Indonesia, Japan, southern Korea, Federation of Malaya, Pakistan and Philippines.

[c] Including Brunei, Burma, China (Taiwan and mainland), Indonesia, Japan, Pakistan and Sarawak.

[d] Including Afghanistan, Burma, Cambodia, Ceylon, China (Taiwan and mainland), Hong Kong, India, Japan, southern Korea, Federation of Malaya, Pakistan, Philippines, Singapore, Thailand and southern Viet-Nam.

[e] Including China (mainland), India and Japan.

[f] Including China (Taiwan and mainland), India, Japan and Pakistan.

[g] Including Burma, Ceylon, China (Taiwan and mainland), Hong Kong, India, Japan, southern Korea, Federation of Malaya, Pakistan, Philippines and Thailand.

[h] Including China (Taiwan and mainland), India and Japan.

[i] Including Afghanistan, Burma, Ceylon, China (Taiwan and mainland), Hong Kong, India, Japan, southern Korea, Pakistan and Philippines.

[j] Including Afghanistan, Ceylon, China (Taiwan and mainland), India, Indonesia, Japan, southern Korea, Pakistan and Philippines.

[k] Including China (Taiwan and mainland), India, Japan, southern Korea, Pakistan and Thailand.

May 1957, but recorded a decline during the next three months. This was probably due partly to a prolonged strike in the Ranigunj coalfield and partly to floods in Bihar. The coal production of the whole year 1957 in India was estimated to reach the level of 43.4 million tons, as against 40.1 million tons in 1956. With regard to petroleum, the rise in production was particularly notable in Indonesia. The output there during period January-May 1957 reached 5.9 million tons, registering a 15 per cent increase over the corresponding period a year before.

By contrast, the increase in electricity generation in the region was relatively much less than in the previous year, at 7.6 per cent (annual rate in the first half) as compared with 16.6 per cent achieved in 1956. This was the case even though many countries had accorded high priority, in the allocation of resources, to the development of hydroelectric power. The total supply, though enlarged, was still far from sufficient to meet all the various demands made by developing industries, by agriculture and by domestic consumers. In China (mainland), the target set by the five-year plan was 18.9 billion kilowatt hours (kWh) in 1957, and production is reported to have reached 19 billion kWh, an increase of 17 per cent over 1956 and 2.6 times the 1952 production. In India, with the general progress of the multiple-purpose projects under the five-year plan, the production of electricity increased considerably. In the first half of 1957, a total of 5.3 billion kWh was generated, as compared with 4.7 billion kWh during the first half of 1956. It may be observed that, for some years, as power production rose faster in less industrialized areas than in the main industrial centres, the share of Japan in the region's electricity output continually declined, dropping from 74.1 per cent in 1952 to 67.9 per cent in 1956. This same percentage, however, was maintained in 1957.

The production of iron and steel by the three main producing countries—China, India and Japan—continued to rise in 1957, though at a slightly slower rate than in 1956. Between 1952 and 1957, production of pig-iron and crude steel in the region has doubled, pig-iron increasing from 7.3 million tons at the end of 1952 to 14.5 million tons in 1957 (annual rate based on the first six months' records) and crude steel from 10.0 million tons to 20.1 million tons. Compared with the production at the end of 1952, mainland China, starting from a relatively low base, increased its pig-iron production by three times (to 5.8 million tons in 1957) and its crude steel production by four times (to 5.2 million tons in 1957). According to its Statistical Bureau, mainland China can now supply 88 per cent of its steel requirements from its own domestic sources. The production level in Japan shot up during the same period to 6.8 million tons for pig-iron and to 12.9 million tons for crude steel in 1957. India, already operating existing plants at capacity and with three large new steel mills not yet completed, did not show any appreciable increase in these years (reaching 1.8 million tons for pig-iron and 1.7 million tons for crude steel in 1957). The combined share of the three countries' crude steel output in world output rose steadily from 5.7 per cent in 1952 to 6.4 per cent, 7.5 per cent, and 8.4 per cent in 1955, 1956 and 1957 respectively.

Unlike iron and steel, cement is produced in numerous Asian countries. Most of the countries of the region have given increasing emphasis to this branch of production in order to meet the rapidly rising demand for cement, mainly for construction purposes, out of their own domestic capacity. Output of the region as a whole rose from 15.3 million tons at the end of 1952 to 30.2 million tons in 1957, that is, it doubled in five years, the largest increase being registered by China (mainland), Japan and Pakistan. The percentage of the world's cement output produced by the region rose steadily from 11.5 per cent in 1955 to 13.2 per cent in 1956 and further to 14.6 per cent in 1957. The rate of increase of output in the region was, however, smaller in 1957 than in 1956.

On the basis of the data for the first half of the year, cotton textile output showed in 1957 a slight decline from the previous year's level. Since the cotton textile industry is the branch of production which can, in general, be most easily expanded in the earlier stages of industrial development, this setback is worth special attention. This field of production is also the one in which the exports of two countries in the ECAFE region, India and Japan, lead the whole world. Since exports were kept at a fairly high level in this year, the failure of the region's cotton textile production to increase was not due to shortage of demand but probably to a factor on the supply side, namely, a reduction in cotton crops in China, India and Pakistan. In China, cotton cloth output on the mainland fell off from 170.8 million bolts[1] in 1956 to 156.2 million bolts in 1957, or by more than 9 per cent. In other countries and areas, the influence of foreign competition, both at home and abroad, was a more important factor in determining the scale of production. In China (Taiwan), where the cotton textile industry had recently been expanded beyond domestic requirements, the existing capacity was not fully utilized, and the Government was making increased efforts to promote exports. In some countries, such as the Philippines, the industry enjoyed tariff protection. On the other hand, in Indonesia, for example, where such protective barriers were absent,

[1] 1 bolt is equal to about 32 kilometres.

some weaving mills had to close down in the second quarter of 1957 because of competition from imported piece goods.

CURRENT TRENDS IN INDUSTRIAL DEVELOPMENT PROGRAMMING

Given the conditions in Asia and the Far East, it is natural that the development of agriculture should have received heavy emphasis in most national economic development plans. Much attention has also been given to the "infrastructure" items, such as transport and power, without which an industrial economy cannot be built. A comparatively small allocation of funds and other resources has usually been made for the development of industry as such (manufacturing and mining), even though industrialization is an almost universal objective of the countries of the region. India (in its second five-year plan) and China (especially on the mainland) have been the outstanding exceptions, so far as government development expenditures are concerned (see table 6).

The experience of 1957 has once again shown that, unless agricultural production is on a satisfactory basis, intensified efforts to achieve industrial development will generally result in increased inflationary pressure and balance of payments difficulties, and that the planned increase in industrial output is itself likely to be frustrated by certain supply shortages. In view of difficulties of this kind that have actually occurred or are in prospect, it is probably true to say that programmes of industrialization are now being viewed with considerable realism and with less exaggeration than was sometimes apparent in the past. The need for fairly rapid industrialization still seems to be a basic postulate of almost all countries in the region, but it is realized that a somewhat broader and more balanced approach to the objective is necessary.

In practically all the development plans, the government is accorded an important role, even in the field of industry itself. At the same time, however, in some, though not all, countries, this leading role of the government is combined with a policy of encouraging private enterprise to take an active part in industrial development under the general guidance of the national plan. To this end, considerable emphasis is being put on development corporations, such as the Pakistan Industrial Development Corporation. In August 1957, the Philippines, under a new investment policy, took steps to withdraw from fields where private enterprise is expected to take over. The first significant move in this direction was the sale of the Bacnotan cement plant to a private syndicate for 17 million pesos. In recent months, Burma has laid greater stress on utilizing the resources of the private sector and has, for example, welcomed foreign investors in association with local capital for developing the country's mining and oil industries. Other illustrations might be given. This does not necessarily imply a trend towards private rather than public enterprise. For example, in India it is regarded as essential that encouragement be given to private industry, and at the same time a basic premise underlying the five-year plan is the continued relative as well as absolute expansion of the public sector.

Table 6. ECAFE Countries: Percentage Allocations of Planned Public Expenditures on Industry and on Basic Economic Facilities in Economic Development Plans

Country	Plan period	Percentage of planned public expenditure on manufacturing and mining to total	Percentage of planned expenditure on basic economic facilities to total	
			Transport and communications	Fuel and power
Afghanistan	1956/57-1960/61	17.2	40.0	9.0
Burma	1956/57-1959/60	8.2	42.4	23.0
Cambodia	1956-1957	2.4	34.2	3.8
Ceylon	1956-1957	4.4[a]	21.6	11.5[c]
China:				
Taiwan	1957-1960	29.4	11.4	...[b]
Mainland	1953-1957	40.9	11.7	...[b]
India	1956/57-1960/61	45.4	28.9	8.9
Indonesia	1956-1960	25.0	25.0	16.2
Nepal	Oct. 1956-Oct. 1961	7.3	33.8	9.1[c]
Pakistan	1955/56-1959/60	11.6	17.8	5.9[c]
Philippines	1957-1961	15.5	23.7	16.5
Viet-Nam, southern	1957-1961	9.1	—	—

[a] Manufacturing only.
[b] Included under manufacturing and mining.
[c] Power only.

The objective of import substitution receives considerable attention in the planning of industrial development. Usually, it is planned to save foreign exchange by cutting down or eliminating the importation of such consumer goods as can advantageously be produced locally from available raw materials. Efforts are also being made to diversify exports by increasing the share of industrial products, and thus to achieve greater stability of foreign exchange earnings and consequently of imports of the capital goods necessary for further economic development. The development of the textile industry in Afghanistan is expected to reduce dependence on imported fabrics and save about 40 per cent of present external payments. In the Philippines, foreign capital has been invited to establish a number of light industries to manufacture goods for domestic consumption. Burma is planning to establish additional textile plants to reduce dependence on imports. Ceylon has three new projects for the manufacture of sugar which will raise total production capacity to 200,000 tons—65,000 tons above estimated present domestic consumption needs. Efforts at diversifying exports have already shown results. In Pakistan, which formerly exported rather negligible amounts of manufactured goods, 13 per cent of the total value of its exports in the first half of 1957 consisted of processed goods. Similarly, in China (Taiwan), exports of industrial products constituted an increasing part of total exports in the same period.

In the development programmes of mainland China and India, relatively greater emphasis is placed on the development of heavy industries. In mainland China, the proportion of investment in heavy and light industries has been eight to one. In India, nearly four-fifths of public investment in industries under the second five-year plan has been allocated for the development of heavy industries. In fact, for the Asian region the development of heavy industry has taken fairly rapid strides in the past few years, as already noted, with the regional production index for metal products (excluding mainland China), for example, moving forward from 106 in 1954 (1953=100) to 174 in the third quarter of 1956 and 181 in the third quarter of 1957. The rise in this index is, however, attributable largely to the rapid development of heavy industries in Japan and, to a somewhat lesser extent, India. Most other countries of the region rely for their capital goods on importation.

Another trend in industrial development programming has been towards decentralization, and the development of small-scale industries in rural areas with a view to providing greater employment opportunities and raising living standards in rural areas. In mainland China, where an attempt has recently been made to effect a somewhat more even distribution of the industrial pattern, the establishment of small industries in rural areas has been actively fostered by means of tax concessions and expanded credit and marketing facilities. In India's second five-year plan, a sum of Rs 2,000 million has been allocated by the Government for the development of cottage and small-scale industries. The development of small-scale and cottage industries has also been stressed in Ceylon, Pakistan and the Philippines. In Ceylon, the development of handlooms has been provided for in the six-year plan. It is expected that, with the planned installation of 1,000 handlooms, the total production of textiles will increase from 21 million yards in 1957 to 38 million yards in 1962, and that employment will be provided for 25,000 additional persons. In the Philippines, the Industrial Development Centre has been set up to stimulate investment in small and medium-size ventures. The extension of electric power grids into rural areas has helped this particular trend of manufacturing development in some countries, notably Japan.

The basic consideration in favour of placing greater emphasis on the development of small-scale and cottage industries has generally been the shortage of capital and managerial and labour skills together with the general abundance of manpower. In short, the peculiar proportions of factor supply in the region are the main determining factor. Unless specific types of manufacturing are developed which use less of the productive factors in short supply and more of the abundant resources, the joint problems of increasing the immediate availability of goods and creating job opportunities cannot readily be solved. In this connexion, attention is increasingly being directed to the need to adapt the Western technology to the particular situation of the countries of Asia, and to develop indigenous techniques of production. Care is also being taken to prevent the rise of new technological unemployment, stemming from the application of modern techniques. A basic problem facing small-scale operation, however, has been that of raising productive efficiency in general and productivity of labour in particular without extensive mechanization. The issues involved are the subject of intensive debate, and it is still too early to attempt to formulate final conclusions.

In furthering plans for industrial development, governments have also undertaken responsibilities for training personnel. A recent experiment in Burma has attracted considerable attention. A technical service has been organized in which persons with knowledge and experience in selected fields have been registered and from which both government and private enterprise can recruit skilled services as needed.

Transport

Development of transport and of the economy generally are mutually interdependent. No integrated programme of economic development can hope to succeed without a simultaneous expansion of transport facilities. Movement of raw materials from producing areas or ports of importation to the processing centres, and of the final product to the points of consumption or utilization, depends on the extent and efficiency of the transport network. Many countries of the ECAFE region are known to have inadequate transport facilities and this deficiency in its turn affects the progress of their economic development. Hence, a majority of them allocate relatively large amounts of public investment to transport in their over-all economic development plans (see table 6).

Particular attention has been given to railroad and highway development. In the absence of elaborate networks of highways, railways have continued to provide the main facilities for longer haulage, though road transport is usually considered more effective and convenient for shorter haulage and is being developed largely by joining up subsidiary roads, originating in villages, with main highways and by extending thorough roads to connect main business centres. In most countries of the region, however, the immediate transportation problem is still one of obtaining geographical expansion and intensification of transport networks by any available means rather than one of selecting and co-ordinating alternative means. Only in later stages of development does this begin to constitute the main problem. In Japan, for instance, where the transportation network is already highly developed, the emphasis—though it is also placed on the need to develop the whole transport system in line with the rapidly expanding economy—is mainly on securing better co-ordination and an improvement of efficiency. In other countries as well, where railways and roads are relatively expensive to construct (nationally or in certain areas) as compared with inland waterways, greater attention has been given to the development of the latter. However, except perhaps for Japan, large-scale shipping and aviation are still of much lesser significance than either rail or road transport.

In most countries of the region, railways still play the predominant part in inland transport. In fact, railway development has continued to receive the major part of investment in transport, some of it in the form of new foreign aid or loans. The addition of new lines to railways during the year was largely concentrated in mainland China, and to a lesser extent also India and Pakistan. In all countries except mainland China, the current railway programme is dominated by the need for additions and improvements of rolling stock and workshop facilities. In mainland China, about 5,000 kilometres of trunk and feeder lines—mostly in the northwest and southwest—have been built within the first five-year plan period, ending in 1957. In view of the rich mineral deposits in the distant interior of the country, the expansion of the transport network into these areas is of great significance for a programme of economic development based on heavy industries. A significant event of the year 1957 was the opening of the Yangtse double-track rail bridge at Wuhan which links the railway systems of north and south China. A total of 770 kilometres of new lines were under construction. In India, too, the construction of the 300-kilometre link to connect the northern and southern rail systems of the sub-continent has made considerable progress, and the construction of a number of new lines of the southeastern and eastern railways was undertaken during the year.

A notable development in rail transport has been a marked shift towards the use of diesel-operated locomotives. This shift is attributable to the need to find alternative motive power where coal is deficient, and also to speed up the railways. The Federation of Malaya introduced diesel locomotives for the first time in 1957, and there was further expansion in other countries, such as Burma, India, Indonesia, Pakistan and the Philippines. In some cases, the introduction of diesel power is reported to have considerably improved the efficiency and financial position of railways.

The development of road transport progressed further in 1957. As the economies of the ECAFE countries become more diversified, and commercial and trading activities grow more important, road transport is expected to increase in importance, especially for short-distance hauls. Another consideration in favour of road development is that costs of construction, repair and maintenance and—more important — the foreign exchange costs of such development are generally smaller than in the case of railways.

Road systems were taken a stage further during the year in mainland China, India, the Federation of Malaya, Pakistan, and the Philippines by means of new lines and major bridges which began to link up new producing areas or serve as interconnexions of existing roads. In most other countries, also, road development made steady progress in 1957, but mainly through the reconstruction of old roads, some of them local. In mainland China, about 12,000 kilometres of national highways and 113,500 kilometres of local roads have been built in the last five years (1953-1957), thus raising the total length of the highways open to traffic to an estimated 240,000 kilometres by

the end of 1957.[1] Two-thirds of the highways built with state investment in the past years were located in the southwest and northwest regions. Kansu province in the northwest, destined to be an industrial base, now has over 14,600 kilometres of roads as against less than 4,000 kilometres in 1952. In India, it is expected that the length of roads will go up from 196,340 kilometres at the end of the first plan to 231,750 kilometres by the end of the second plan period in 1961. In fiscal year 1956, 464 kilometres of the Philippine national highways were improved, with work continuing on an additional 408 kilometres. In the road development programme of the Federation of Malaya, the addition of a bitumen surface on the 380 kilometres of the east coast road has been virtually completed. In Pakistan, the new Karachi to Quetta highway, which is being built with assistance from the United States International Cooperation Administration, will reduce the distance between the two points by 241 kilometres. In Japan, where co-ordination and diversification of inland transport were on the Government's policy agenda in 1957, an ambitious road construction programme took a fresh spurt. The major items included the arterial highway between Nagoya and Kobe, now under construction, and a four-lane 193 kilometres throughway between Tokyo and Kobe, which will be opened in 1960. It is expected that the 3.2-kilometre double-deck Kammon Highway Tunnel linking the islands of Honshu and Kyushu will be open to traffic by March 1958.

In inland water transport, the countries of the ECAFE region have still considerable leeway for improvement. In some countries, however, there have been signs indicating an imminent change in this field. Here too, it was in mainland China and India that the most ambitious projects were being considered —the linking up of the Yangtse and Pearl rivers by means of a canal in mainland China, and a plan to link waterways flowing into the Arabian Sea with those flowing into the Bay of Bengal in India. Increasing attention was also given during 1957 to the problems of developing coastal shipping as a means of bulk transportation in several countries.

In the field of ocean shipping and international trade, most of the countries of the region depend almost entirely on foreign bottoms. Domestically-owned shipping tonnage is relatively important only in Japan. Several countries are now making efforts to increase their merchant fleets, either by purchasing ships or by building them in newly established shipyards. Shipbuilding, however, is still in its infancy in the region, except for Japan, which in 1957 led all other countries of the world in tonnage produced. The difficulties facing newcomers in this field are aptly illustrated by the fact that, in India, by the end of the first five-year plan in March 1956, a total of only 480,000 tons could be built, as against 600,000 tons planned, although the funds set apart for this purpose were exhausted. More immediate success is expected for the increased efforts that many countries of the region are making to improve port facilities for handling larger amounts of traffic. In India, Indonesia, southern Korea, Pakistan and the Philippines, among other countries, the process of mechanization of cargo handling is reported to have progressed considerably and to have resulted in improved efficiency in some cases.

The development of air transport was largely directed in 1957 towards facilitating international travel. However, in view of the lack of alternative means of transport, based on topographical difficulties, in certain countries, particular attention was given to domestic airline services. Although passenger and freight air traffic for the region as a whole has recently been increasing, the passenger load factor[2] has so far remained below the world average except in Burma, India and Japan.

TRADE AND PAYMENTS

The trade situation of ECAFE countries[3] in the current year was disappointing. A substantially greater increase occurred in the value of imports than in the value of exports. The prices of important primary export commodities fell. The balances in the trade position of most countries were increasingly adverse. The unit values of imports increased both absolutely and in relation to the unit values of exports. Some worsening of the terms of trade resulted for a majority of the countries in the region, and a reduction in the capacity to import of those countries which could not step up the quantum of exports to make good the disadvantage of falling export prices.

The balance of trade in general

The year 1956 closed with an expansion in the value of both exports and imports in the ECAFE region, but the rate of expansion was considerably higher in imports than in exports. The value of imports increased by 19 per cent in 1956 over 1955 as against a 6 per cent increase in the value of exports. The deficit in the trade balance accordingly widened,

[1] *Highway* (in Chinese), Issue N.10, 16 October 1957.

[2] Passenger-kilometres expressed as a percentage of available seat-kilometres.

[3] Unless otherwise noted, the trade data for the region include British Borneo, Burma, Cambodia, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Japan, southern Korea, Laos, Malaya (Federation of Malaya and Singapore), Pakistan, Philippines, Thailand and southern Viet-Nam, but exclude Afghanistan, mainland China and Nepal, for which comparable data are not available.

from $750 million in 1955 to $1,969 million in 1956. In 1957, the lag of exports behind imports in the ECAFE region was even more pronounced, and the deficits in the trade balance were consequently, in general, larger.

The commerce of the industrialized countries of the world has expanded a good deal more satisfactorily than that of the less developed countries. The countries of the ECAFE region raised the value of their exports in the first half of 1957 by almost 6 per cent over the same period in 1956 but this compared unfavourably with the 11 per cent increase in the value of world exports, 14 per cent increase for continental western Europe and 16 per cent increase for North America. The region's trade position as a whole was aggravated by the relatively greater increase in the value of imports, which in the first six months of 1957 rose 29 per cent over the first six months of 1956. By contrast, the increase in the value of world imports was only about 12 per cent, while imports of continental western Europe and North America increased by 17 and 3 per cent respectively. The slight increase in the value of exports in the ECAFE countries was achieved through a larger quantum of exports, which more than offset the persistently downward trend in the prices of major exports like rubber, rice and tea.

The price changes for some major export commodities in 1956 as against 1955 and in the second quarter of 1957 as against the year 1956 are shown in table 7. The price of rice, which dominates the export trade of Burma and Thailand, declined rather sharply in 1956 from 1955 and the fall continued in the first half of 1957. Similarly the price of tea, the mainstay of Ceylon's export trade and an important item of export for India, declined substantially. The price of rubber, the chief export for the region as a whole, also slumped and reduced the export earnings of the Federation of Malaya and Indonesia. Prices of cotton, jute and copra, however, were somewhat stronger in the first half of 1957 than a year earlier.

Table 7. ECAFE Region: Prices of Major Export Commodities, 1955-1957
(Unit values of the period or average of monthly quotations during the period in US dollars)

Commodity and country	*Price (per 100 pounds)*[a] *1955*	*1956*	*1957 First quarter*	*1957 Second quarter*	*Percentage change in 1956 over 1955*	*Percentage change in second quarter of 1957 over 1956*
Rice:						
Burma	4.62	4.24	4.24	4.20	- 8.2	- 1.0
Thailand	5.38	4.98	4.89	4.83	- 7.4	- 3.0
Tea:						
Ceylon	64.5	60.4	59.8	47.5	- 6.4	- 21.4
India	64.8	57.2	61.8	...	- 11.7	...
Rubber:						
Ceylon	32.2	40.4	39.3	36.5	25.5	- 9.7
Indonesia	35.3	32.7	33.2	29.6	- 7.4	- 9.5
Malaya	37.3	31.6	30.2	29.9	- 15.3	- 5.4
Tin:						
Malaya	90.2	95.2	93.6	94.5	5.5	- 0.7
Cotton:						
Pakistan	28.6	26.3	28.6	27.1	- 8.0	3.0
Jute:						
Pakistan	166	172	184	178	3.6	3.5
Copra:						
Ceylon	7.44	7.81	9.22	8.49	5.0	8.7
Indonesia	7.68	7.08	7.15	...	- 7.8	...
Philippines	6.15	5.90	5.93	6.05	- 4.1	2.5
Coconut oil:						
Ceylon	10.33	10.58	11.47	10.72	2.4	1.3
Malaya	10.88	10.90	11.57	11.07	0.2	1.6
Philippines	10.88	10.38	9.98	9.98	- 4.6	- 3.9

Source: International Financial Statistics.

[a] For jute, price per short ton.

Table 8. Export Price Indexes for Certain Countries Exporting to the ECAFE Region, 1955-1957

(1953=100)

Period	United States	Canada	United Kingdom	France	Belgium	Germany	Netherlands
1955	100	99	101	96	97	98	101
1956	103	103	105	100	103	101	103
1957							
First quarter	107	104	109	103	106	103	104
Second quarter	107	104	109	103	...	105	109

Source: International Financial Statistics, December 1957.

Increased expenditures on imports were due largely to increased imports of capital goods and more essential consumer goods and, in certain countries, emergency imports of foodgrains.[1] The Suez Canal crisis in late 1956, and inflationary tendencies in the exporting countries in the West, further raised the cost of imports in the countries of the ECAFE region.

The export price indexes for certain important countries exporting to ECAFE countries are shown in table 8. The indexes for the second quarter of 1957 were 6 to 9 per cent higher than in 1955. Import prices had to absorb, in addition, the increased freight and insurance rates during the closure of the Suez Canal. Considering these import price increases, and the fall in the prices of the main export commodities of the region, the pressure on the balance of trade of many ECAFE countries was bound to be considerable.

The generally adverse balance of trade of the ECAFE countries accordingly grew worse. In the first half of 1957, the combined trade balance of ECAFE countries showed a deficit of US$2,105 million, as compared with one of US$892 million in the first half of 1956. The large-scale deficits in the trade balances of individual ECAFE countries continued to be financed by extraordinary means which do not fit into normal financial and trading patterns. It may, however, be noted that Japan, India, southern Korea and Hong Kong together contributed about 86 per cent of the total deficit, and Japan alone about 49 per cent.

The pattern of imports

As noted above, the adverse balance of trade of the majority of ECAFE countries results largely from an increase in the value of imports. The steady growth in the value of imports has been due in several countries to increased demand for development goods. The rate of import of consumer goods has also generally been maintained at a high level, though several countries are following a policy of restricting inessential consumer goods imports in order to conserve foreign exchange for essential consumer goods, raw materials and capital goods. The percentage of imports of consumption goods and materials chiefly for consumption goods in total imports for the ECAFE region has been gradually declining and that of capital goods and materials chiefly for capital goods has been increasing (table 9). In the first half of 1957 countries importing consumer goods in proportions greater than the average for the region include North Borneo, Burma, Ceylon, China (Taiwan), Hong Kong,[2] Indonesia, southern Korea, Malaya and Sarawak. The country having the highest ratio of capital goods imports to consumer goods imports in the first half of 1957 was India.

Table 9. ECAFE Region:[a] Composition of Imports, 1954-1957

(Percentage distribution)

Item	1954	1955	1956	1956 First half	1957 First half
Consumption goods ..	39.6	35.6	31.7	32.5	25.2
Materials chiefly for consumption goods.	31.2	33.1	32.2	31.9	32.9
Capital goods	18.0	19.7	21.2	21.6	23.2
Materials chiefly for capital goods	11.2	11.6	14.9	14.0	18.4

[a] Covering Burma, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Japan, Malaya, North Borneo, Pakistan, Philippines, Sarawak and Thailand.

Trends in exports

Considering that the successful prosecution of the development programmes of the ECAFE countries is largely dependent at this stage on their capacity to import essential developmental goods, the failure of their exports to keep abreast of the expansion of the

[1] The payments on government account (mainly expenditure on import of foodgrains) in Pakistan amounted to Rs 250 million during 1956/1957 and in India Rs 1,420 million. Indonesia also was obliged to import considerable quantities of rice.

[2] Hong Kong's imports included substantial quantities intended for re-export.

world trade is disturbing. While the share of the ECAFE region[1] in world exports stood at 15.7 per cent in 1938, it declined after the war to 12.2 per cent in 1950 and 9.6 per cent in 1956. For the first half of 1957, the total exports of the region amounted to $4,588 million, or about 9.3 per cent of world exports at current prices.

These figures still do not, however, adequately portray the relatively unfavourable trade situation of the non-industrialized countries of the region, since the share of industrialized Japan in the total exports of the region has been steadily rising, from 12.2 per cent in 1950 to 22.4 per cent in 1954 and to 28.9 per cent in the first half of 1957. If Japan's exports are excluded, the share of the non-industrialized countries of the ECAFE region in world exports declined continuously from 10.7 per cent in 1950 to 6.9 per cent in 1956 and further to 6.6 per cent in the first half of 1957. This conforms to a general trend in world trade—the relative decline of exports of non-industrilized areas in world's total trade.[2] While world exports of manufacturing countries increased by $15 billion between 1953 and 1956 (based on exports for the first nine months of each year), the exports of primary producing countries rose by only $5 billion during the same period.[3] Especially striking has been the pronounced decline since the war of the exports of non-industrialized countries to industrialized countries. A number of factors have been responsible for this: a relative reduction in the use of raw materials in the production of a unit of processed goods, a difference in the rates of productivity growth as between the less developed and more developed countries, an increase in the domestic production of raw materials and food in the industrial countries, increased use by some primary producing countries of their raw materials for their own industries and substitution of natural by synthetic raw materials.

The effects of price fluctuations have, in general, been particularly severe on the non-industrialized countries of the ECAFE region because most of them depend upon a relatively few primary products for the bulk of their foreign exchange earnings. It appears moreover that, with the exception of Japan and India whose exports are much more diversified, the degree of export specialization in most ECAFE countries has even tended to increase in recent years.[4] The agricultural exports of the region have recently suffered considerably. If the nine major agricultural export crops are taken together,[5] the agricultural exports from non-industrialized countries of the ECAFE region[6] were 7.3 per cent lower in value in 1956 than in 1955, whereas the decrease in total export value was only 1.7 per cent. In other words, earnings from agricultural exports declined more than earnings from exports of minerals and industrial products. In the first half of 1957 the situation was to some extent reversed, but, with the continued fall in the prices of certain major primary export products, the relative contribution of agriculture to total export earnings was certainly less in 1957 than in 1955. This development illustrates the vulnerable nature of the export trade of the non-industrialized countries of the region, owing to its excessive dependence on a small number of primary products, and points up the need for a more diversified pattern of exports.

THE IMPORT SURPLUS OF FOOD EXPORTING COUNTRIES[7]

In 1956, Burma increased its trade surplus over the 1955 level. Thailand, however, developed a substantial deficit from a small surplus in 1955. China (Taiwan) and southern Viet-Nam continued their trade deficits of 1955, although at a slightly reduced rate. Cambodia's trade deficit more than doubled. In the first half of 1957, all rice exporting countries except Cambodia had deficits in their balance of trade. Cambodia's small surplus of $7 million was due to a reduction in the value of imports and to an increase in the quantum of exports over the first half of 1956. The position of Burma worsened from a surplus of $29 million in the first half of 1956 to a deficit of $15 million in the first half of 1957. A decline occurred in the volume of exports of rice, metals and ores, timber and rubber, but it was a progressive decline in the price of rice which was mainly responsible for this change. Other rice producing

[1]Excluding mainland China.

[2]See GATT, *International Trade 1956,* Geneva, June 1957, pp.8-9. At the twelfth session of the Contracting Parties to the General Agreement on Tariffs and Trade in October-November 1957, concern was expressed at the failure of the export trade of the less industrialized countries to expand as rapidly as that of industrialized countries, as well as excessive short-term fluctuations in the prices of primary products and widespread resort to agricultural protection.

[3]United States Department of Commerce, *World Trade Information Service, Part 3,* No.57, 4 January 1957. The exports of mainland China, the Soviet Union and east European countries are excluded from the figures.

[4]ECAFE secretariat, "Export Promotion Techniques and Practices", a paper submitted to the first session of the Committee on Trade, 20-27 January 1958, Bangkok (E/CN.11/Trade/L.7).

[5]Rice, rubber, tea, oilseeds and vegetable oils, sugar, cotton, jute, abaca, spices.

[6]In addition to Japan (as an industrialized country), the following countries are excluded mainly because of a lack of data: Afghanistan, mainland China, Hong Kong, southern Korea, Laos, Nepal. The figures do not therefore cover all the exports of the region.

[7]Burma, Cambodia, China (Taiwan), Thailand and southern Viet-Nam.

countries were able to increase their volume of exports and thus offset the disadvantage of the price decline. However, southern Viet-Nam's increased imports led to a deficit of $98 million in the first half of 1957 as compared with $86 million in the same period of 1956. Thailand reduced its deficit from $21 million in the first half of 1956 to $6 million in the first half of 1957 by increasing its exports of rice considerably and increasing its imports rather less. China (Taiwan) was able to reduce its trade deficit to $4 million in the first half of 1957 from $31 million in the corresponding period of 1956, by stepping up exports (especially sugar) substantially and by maintaining imports at a constant level. The increase in exports was in part due to a policy of diversification. A number of industrial products, such as textile yarns and fabrics, aluminium ingots, electric fans, bicycles and sewing machines, have begun to appear among the exports of China (Taiwan).

Emergence of imbalances in the trade of raw material exporting countries

In 1956, as compared with 1955, most of the raw material exporting countries either greatly reduced their trade surplus—the case in British Borneo, Ceylon, Indonesia, Malaya—or turned it into a trade deficit—as in Pakistan. However, the Philippines, with increased export volume and better prices for its exports, was able to reduce its trade deficit of $121 million in 1955 to $43 mililon in 1956 in spite of increased imports.

The balance of trade of all the raw material exporting countries[1] except Indonesia deteriorated in the first half of 1957. Ceylon ran a $9 million deficit in its balance of trade as compared to a surplus of $19 million in the first half of 1956. The export prices received by Ceylon for tea and rubber steadily declined whereas the prices of major imports of both consumer goods and capital goods showed a gradual increase. The price index for tea (1948=100) fell from 159 in January 1957 to 122 in July; the price index for rubber dropped off from 221 to 212 during the same period. Malaya suffered a deficit of $57 million, owing to a fall in rubber prices combined with substantially larger volume and higher cost of imports. The Philippines also suffered a relatively large deficit of $89 mililon in the first half of 1957 as compared with a deficit of $20 million in the first half of 1956, owing to an increase in the value of imports which was not compensated by a slight increase in export prices on a more or less constant export volume. The balance of trade deficit in Indonesia, however, was reduced to $20 million in the first half of 1957 from $31 million in the corresponding period of 1956, owing largely to import controls which reduced the volume and value of imports.

[1] British Borneo, Ceylon, Indonesia, Federation of Malaya, Pakistan, Philippines.

Trade of Japan, India and mainland China

The trade deficit of Japan widened to $1,016 million in the first half of 1957, as compared to $340 million in the first half of 1956. The year 1956 in turn had closed with a larger deficit than the year 1955—$729 million as against $460 million—mainly because of a rise of 30 per cent in the value of imports. In 1957 (first half), the value of imports was up by 56 per cent over January-June 1956. The value of exports was up by about 15 per cent, after rising by 24 per cent in 1956 over 1955. The large increase in imports was due mainly to increased consumption of raw materials needed for the higher industrial output,[2] although a tendency to stockpile raw materials also was a contributory factor. The expansion of exports continued somewhat more slowly than before, in the face of increased productive capacity for consumer goods in some buying countries and also, in certain cases, of the tightening of import restrictions, to protect deteriorating balance of payments positions.

The balance of trade position of India has deteriorated in the last two years, and substantial deficits have been incurred—$443 million in 1956 as against $137 million in 1955, $385 million in the first half of 1957 as compared with $207 million in the first half of 1956. There was a 21 per cent increase in the value of imports for the full year 1956, but the value of exports actually declined. The acceleration in the development effort and its attendant inflationary pressure have resulted in larger imports of both capital and consumer goods and a smaller exportable surplus.

Since the inauguration of the first five-year plan in 1953, the trade of mainland China has tended to increase. Between 1952 and 1955 it is reported that the total value of trade increased by 61 per cent on account of the development of larger export capacity and larger imports of producer goods and industrial raw materials required to meet the increasing demand of expanding industry. In 1956 the total value of trade fell by one per cent below the 1955 level, and for the year 1957 the values of exports and of imports have been estimated at 6.6 per cent and 10.2 per cent below their respective levels in 1956.

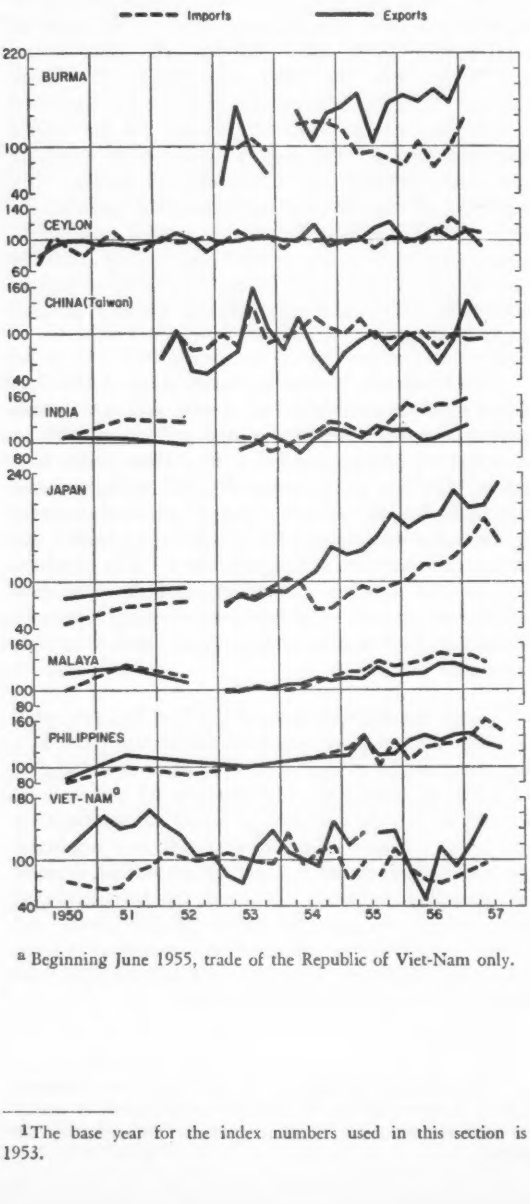
[2] There were also certain production bottlenecks in 1956 in iron and steel, petroleum products, non-ferrous metals and chemicals, and, in order to ease the situation for the production of secondary products using these materials, larger quantities had to be imported.

INDEXES OF EXPORT AND IMPORT UNIT VALUES AND TERMS OF TRADE[1]

Unit value (price) indexes for exports and imports and indexes of terms of trade are not available for all the countries of the ECAFE region for 1957 but the data available for some countries may be examined. The trends in indexes of quantum, unit values, and terms of trade are shown in charts 3, 4 and 5.

Chart 3. ECAFE Countries: Quantum Indexes of Imports and Exports, 1950-1957

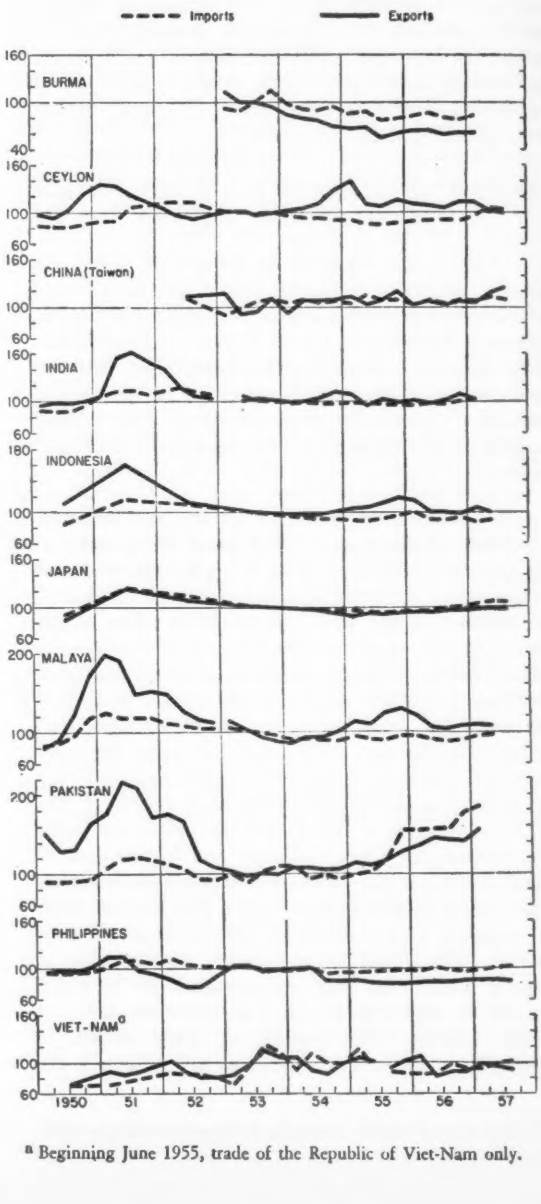
(1953=100)



[a] Beginning June 1955, trade of the Republic of Viet-Nam only.

Chart 4. ECAFE Countries: Unit Value Indexes of Imports and Exports, 1950-1957

(1953=100)



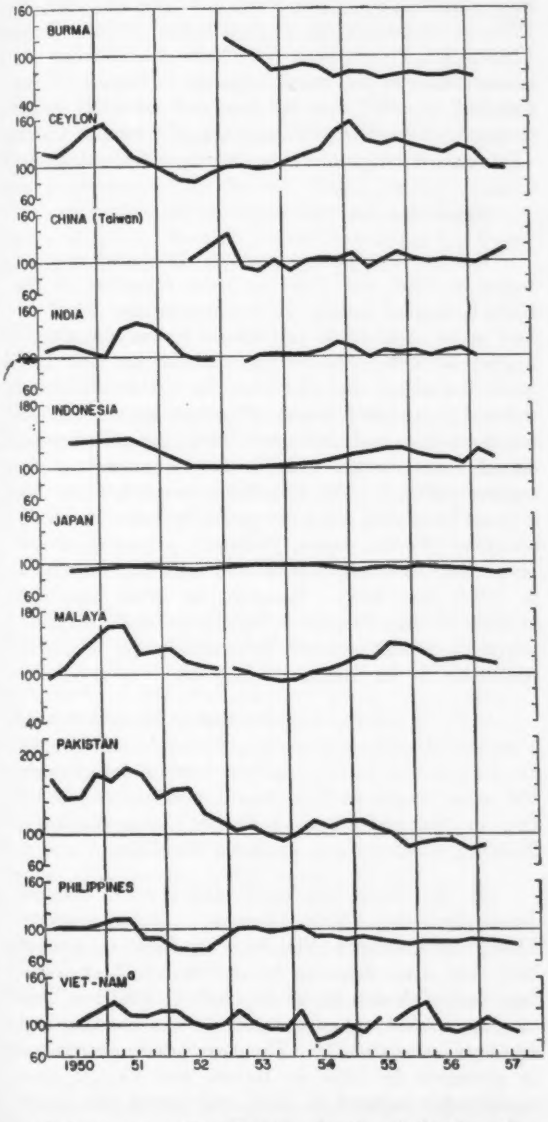
[a] Beginning June 1955, trade of the Republic of Viet-Nam only.

[1] The base year for the index numbers used in this section is 1953.

The indexes for unit value of imports rose in 1956 for about half of the ECAFE countries for which data are available. In the first half of 1957, they have invariably shown a tendency to move up as compared with the first half of 1956. Two factors have been chiefly responsible for this trend—cost inflation in the exporting countries and an increase in freight and insurance rates as a consequence of the temporary closure of the Suez Canal. For Ceylon, Japan and southern Viet-Nam these index numbers showed a considerable increase in the first half of 1957 over the like period of 1956. In the case of Ceylon, this was due to larger imports of capital goods, for which prices have been comparatively higher than those of consumer goods in the exporting countries. It may be noted that the index numbers of quantum of imports for Ceylon, southern Viet-Nam, and Japan also showed a substantial increase in this period. Thus, relatively higher prices for imports and their larger quantum have both contributed to creating imbalances in foreign trade of ECAFE countries.

Chart 5. ECAFE Countries: Terms of Trade, 1950-1957

(1953=100)



[a] Beginning June 1955, trade of the Republic of Viet-Nam only.

The index number of unit value of exports fell off in 1956, as compared with 1955, for rice, sugar, tea and rubber exporting countries and rose for a number of other countries. It rose for Pakistan and India, where prices received for major exports were generally higher. The Philippines also showed an improvement in the unit value of its exports because of higher prices for sugar, abaca and copra. The prices of manufactured goods were generally higher, and Japan as an exporter of manufactured goods appreciated its unit value of exports slightly.

In the first half of 1957, index numbers of unit value of exports declined for Burma and Thailand. In the latter case, however, the decline in the price of exports was partly compensated by increased export volume. China (Taiwan) and southern Viet-Nam improved their unit values of exports, in spite of a drop in the price of rice, by an increase in the prices of their other exports. The volume of export also expanded significantly in these two countries.

In the case of raw material exporting countries—Ceylon, Indonesia and Malaya—the indexes of unit value of exports deteriorated in the first half of 1957 as compared with the first half of 1956. Prices of tea, rubber and tin, the main exports of these countries, dropped off in the first six months of the year, and this fall put pressure on their balance of trade position. There was, however, some compensating increase in the quantum of exports from these countries.

The unit value of exports of Pakistan, the Philippines and India continued to show an improvement in this period. Prices of cotton, jute, Manila hemp, sugar and copra were all higher in the first six

months of 1957 than in the corresponding period of 1956. Full advantage could not, however, be taken of the higher prices by increasing the volume of exports.

Factors already mentioned—cost inflation in the Western countries, higher insurance and freight rates, declines in the export prices of rice, rubber and tea—turned the terms of trade against ECAFE countries. The relative price changes in imports and exports have been unfavourable on the whole, lowering the purchasing power of major primary exports of the region in relation to imports. The prices of tea, rubber, tin and rice fell. However, the prices of cotton and jute for Pakistan, sugar for the Philippines and China (Taiwan), and copra for the Philippines and Ceylon improved in 1957 over average 1956 levels.

In 1956, as compared with 1955, the terms of trade were generally unfavourable for countries of ECAFE region, especially the food and raw material exporting countries, although countries like India and Japan, with diversified export patterns, improved their terms of trade slightly. In the first half of 1957, the terms of trade of Ceylon, Japan, Malaya and southern Viet-Nam were considerably more adverse than in the first half of 1956. Up to the end of March 1957, it appears that India and Pakistan suffered a slight deterioration in their terms of trade (as compared with the same period a year earlier) but that the terms of trade of China (Taiwan), Indonesia and the Philippines improved slightly.

Export-based capacity to import[1]

In 1956, as compared with 1955, the export-based capacity to import of the ECAFE countries generally was reduced, except for China (Taiwan), Japan, Malaya and the Philippines. Relatively high prices for imports and a fall in the prices of some of the region's principal exports largely accounted for this reduction, which was rather heavy in Ceylon, Pakistan and southern Viet-Nam. In India and Pakistan, even though export prices for some of the raw materials showed an improvement in 1956 over 1955, the total value of exports was lower. Losses from deterioration in the terms of trade occurred in this period for Ceylon, though India showed some comparable gains as a result of favourable terms of trade. Japan and the Philippines improved their capacity to import in 1956 over 1955 as a result of an increased volume of exports from both countries and better prices for their exports.

In the first six months of 1957, as compared with the first six months of 1956, the export-based capacity to import declined for Burma, Ceylon, Malaya and Pakistan. The continued fall in prices for rice, tea and rubber were largely responsible in the first three cases. In the case of Pakistan, export prices tended to improve but the total volume of exports could not be expanded, partly owing to increased domestic demand. India, after suffering some reduction of export-based capacity to import in 1956, appears to have regained some lost ground in the first half of 1957, as compared with the first half of 1956. China (Taiwan) and southern Viet-Nam considerably increased their export-based capacity to import in the first half of 1957 over the first half of 1956 owing to increased exports of rice and, in the case of China (Taiwan), the export of new, largely industrial, items.

Pressures on the balance of payments

Balance of payments pressure developed or grew worse in 1956 and 1957 in most countries of the ECAFE region, mainly for trade reasons—deterioration in terms of trade or increase in the quantity of imports or both. For certain countries the difficulties were intensified by increases in their traditional deficits in invisible trade. Payments on account of transportation and insurance have regularly represented a net outflow item in most countries of the region, although India has had a net inflow on this account because of large insurance income. In certain countries (Burma, Japan, Pakistan) payments abroad on account of transportation and insurance increased in 1956 over 1955. However, in other countries (China: Taiwan, Indonesia, Philippines and Thailand) payments on this account decreased, partly owing to reductions in the volume of imports.

In many countries in the region, there has been a continued outflow of profits, dividends and interest on account of private foreign capital investments. The net payments on this account were higher in 1956 than in 1955 in the case of Burma, China (Taiwan), Pakistan, Thailand and southern Viet-Nam.

On the whole, the goods and services account deteriorated for China (Taiwan), India, southern Korea and southern Viet-Nam in 1956 as against 1955 and even more so in the first half of 1957. Japan and Pakistan in the first half of 1957 lost their surplus balance on goods and services account and developed small deficits. The corresponding surpluses in payments in 1955 in Burma and Ceylon were considerably reduced in 1956, and turned into heavy deficits in the first half of 1957.

[1] The export-based capacity to import represents the value of exports in the current year deflated by the changes in the price of imports. In other words, it is the product of terms of trade and current exports revalued at the base-year price, which for the purpose of the present calculation is 1949. (Capacity to import based on, e.g. foreign capital inflow, is thus not included in the concept.) See United Nations, *Economic Bulletin for Asia and the Far East*, Vol.III, No.1, May 1957.

As a result of the widening gap between payments and receipts in international transactions on current account, the foreign exchange assets of central banks in most countries of the region fell sharply during the first half of 1957. Countries experiencing major losses were Japan (a 34.1 per cent reduction of such assets between the end of December 1956 and the end of June 1957), the Philippines (26.4 per cent), Indonesia (24.0 per cent), Ceylon (15.8 per cent), Burma (12.0 per cent), India (11.8 per cent) and Pakistan (11.5 per cent). By the end of September 1957, the foreign asset holdings had again improved for Ceylon and Indonesia, but had continued to deteriorate for India, Pakistan and Japan.[1] These declines took place despite the imposition of severe import restrictions in some countries.

The pressure on the balance of payments was relieved for some countries by a net inflow of foreign private capital. India (Rs 89 million) and the Philippines (111 million pesos) benefited most from this development. On the other hand, for Ceylon and Japan the evidence indicates a net outflow of private capital in 1956. In the case of Ceylon this has been a regular feature for the last few years.

The heavy drain on reserves in Indonesia was temporarily checked by drawing $55 million from the International Monetary Fund in August 1956. The continued drain on reserves in India was also relieved through drawings on the Fund in February and March 1957, totalling $127.5 million. In addition a stand-by agreement was reached with the Fund under which India might draw an additional $72.5 million during a twelve-month period beginning 11 March 1957.

Foreign aid

Since the terms of trade were generally unfavourable, since most countries of the region were seeking to increase their imports for purposes of development and much of the strain showed up in their balance of payments, aid from outside the region has played a very helpful role. Apart from promoting specific economic development programmes or projects, it has assisted a number of countries of the region in bridging gaps in their balance of payments, and it has also provided an extra source of revenue for the budget of a number of the governments.

The countries that have depended most heavily on foreign economic aid include Cambodia, China (Taiwan), southern Korea, Laos and southern Viet-Nam, but many other countries also have received an important measure of assistance. In Pakistan, more than 45 per cent of public expenditure on economic development has been planned to be financed in this manner; in Nepal, more than 70 per cent. India is rapidly becoming a major recipient of aid from various foreign sources. The other countries in the region all receive external assistance in varying degrees.

The most extensive aid programme is that of the United States. In fiscal year 1956, an amount of $958 million of economic aid (including "defence support") was obligated under the International Co-operation Administration portion of the programme for the ECAFE countries, which was about 65 per cent of the total obligated economic aid provided by the United States under this programme in that year. In fiscal year 1957, the amount of aid so obligated for the ECAFE countries was slightly higher, at $998 million. Amounts obligated for non-project assistance (financial aid provided for the procurement of supplies which are for general sale and use within the receving country) were almost double the amounts obligated for project assistance in both years. Obligated amounts for "defense support" expenditures in the ECAFE countries in fiscal years 1956 and 1957 came to $734 million (77 per cent of the total obligations indicated above) and $862 million (86 per cent of the total obligations) respectively.[2] Total economic aid funds spent in fiscal years 1956 and 1957 under this programme amounted to $715 million and $884 million respectively.

Agricultural surplus disposal under the Agricultural Trade Development and Assistance Act or Public Law 480 has become an increasingly significant part of United States aid in the Asian area. In fiscal year 1957 authorizations amounted to $182 million for disposal of surplus agricultural commodities to the ECAFE countries, and expenditures amounted to $178 million.[3] The main feature of this programme is the sale of agricultural commodities for local currencies which then are used for various purposes, especially the making of loans for economic development. Exports of foods under this programme to India, Indonesia, Pakistan and other countries have helped reduce the strain on exchange resources in

[1] Japan's foreign asset holdings improved, however, beginning in October.

[2] "Defense support", which is distinguished from United States military aid (termed "direct forces support"), is included as part of United States economic assistance, being regarded as aid to supplement resources necessary for carrying out a defence programme. This type of aid tends to strengthen the economy of the recipient country; it is generally of indirect rather than direct assistance to the military effort and it usually provides economic benefits to the civilian population. It includes construction of roads, bridges, dams, and electric power plants; exploitation of natural resources such as minerals, lumber and fisheries; importation of raw materials for the support of established industry and agriculture; and the provision of raw and finished materials to develop and maintain additional industry and expand and improve agricultural production.

[3] The main portion of the surplus agricultural commodities programme, consisting of sales for local currencies, is administered under Section 402 of the Mutual Security Act of 1954, as amended.

times of crop failure and have also been an important stabilizer of levels of consumption and prices. In Burma, a triangular form of arrangement agreed upon in February 1956 allows American cotton to be processed in India, Japan, the United Kingdom and western Germany for the account of Burma.

Since its inception in 1954, the United States Public Law 480 programme has given rise to a certain amount of controversy. Although designed to supplement and not displace normal trade, it has from time to time been charged with disrupting normal trade channels. These charges have been levelled both by other major exporters of agricultural commodities (wheat and dairy products etc.) outside the region and at times by certain countries within the region, notably Thailand and Burma as exporters of rice. However, in the past few years this programme, while still meeting criticisms in some quarters, would appear to have gained increasing acceptance in Asia, with countries in the region seeking to take more advantage of its provisions.

A recent innovation in the field of aid is the Development Loan Fund for which the United States Congress appropriated $300 million in fiscal year 1958, plus an additional $625 million authorized, although not yet appropriated, for use beginning in fiscal year 1959. Since the expenditure of these sums is not tied to a particular fiscal year, opportunities should arise for drawing upon them for longer-term projects in Asia as elsewhere. The fund is intended to be used both for non-profit making projects such as roads, dams and schools and for profit-making enterprises, either private or governmental.

Aid from the Soviet Union has now expanded beyond mainland China to a number of other countries of the region, notably Afghanistan, India and Indonesia, and here again the scale of the assistance is coming to be large in individual cases and in the aggregate. Most of the Soviet Union's aid is in the form of long-term credits (for twelve years or more) for specified projects, generally carrying interest of from 2 to 2.5 per cent a year and repayable in domestically produced goods. (Most development loans under the United States Mutual Security programme have called for 3 per cent interest in dollars, and 4 per cent if paid in local currency). With mainland China, the Soviet Union signed an agreement on 7 April 1956, to provide capital equipment and necessary technical assistance to a total value of 2,500 million roubles (about US$625 million at the official rate of exchange). India has been drawing on a credit of Rs 1,230 million for heavy machinery, buildings, a thermal power plant, and so on, to be repaid from exports of Indian products. Thus, on 14 December 1957, eight contracts were signed in accordance with an agreement reached in November. The loans totalled 500 million roubles to be used in heavy machine construction, coal mining equipment, a glass plant, a lignite factory and a thermal power station. Indonesia in September 1956 was offered industrial credits equivalent to $100 million to be used for building chemical, pulp and paper and cement plants as well as for mining and power development, and in early February 1958 this loan arrangement was ratified by the Indonesian Parliament. Afghanistan has been drawing on aid which includes a 30-year $100 million grant for building roads and other public works, and also for munitions. In Burma, agreement was reached in January 1957 for constructing and equipping various buildings and installations, to cost about K 9 million, for which Burma would in return give a gift of an "appropriate quantity of rice and some other products".

In its aid programmes, mainland China is now going beyond its contiguous areas, such as northern Korea, northern Viet-Nam, and Outer Mongolia to certain other countries in South Asia. Thus, to Cambodia, by an agreement signed in June 1956, it promised to give in 1956-1957 a total of £8 million in various forms of assistance; to Nepal it undertook to give Rs 60 million in October 1956—October 1959; and in September 1957 it made a commitment to give Ceylon Rs 15 million annually for 5 years beginning 1958.

A number of European and other countries meanwhile continue their aid programmes in Asia, as for instance, France's assistance to Cambodia, to Laos and to southern Viet-Nam, and western Germany's deferred payments agreements of 1957 with India. The Colombo Plan has been extended till June 1961 and served as an umbrella for various bilateral aid programmes. The donor countries are mainly outside the region, although the amount of intra-regional assistance is increasing. In 1956/57, the actual disbursements on capital expenditure and technical assistance incurred by Australia under the plan were A£5 million, bringing the country's total up to A£22.1 million since the beginning of the plan. During the 1957/58 financial year (April-March), Canadian aid is set at $34.4 million, which will bring up Canada's contribution to the Colombo Plan to $196.7 million. India helped Nepal to the extent of Rs 53.8 million up to the end of March 1957, Rs 12 million of this total being spent in 1956/57. It now proposes to assist Nepal's road and rail development to the extent of Rs 100 million in the implementation of Nepal's five-year plan. In March 1957, India agreed to a medium-term loan of K 200 million to Burma for twelve years at 4.75 per cent interest. The contribution of New Zealand has steadily increased in selected fields. By June 1958, it will amount to NZ£7 million, of which NZ£1.3 million are allocated in capital aid

in 1956/57. The United Kingdom has trained personnel for member countries and continued to be an important source of capital. Its programmes involved about £6 million in 1956/57, bringing the total to £92 million by way of grants, loans, credits and technical assistance during the period 1951 to 1957. Japan in fiscal year 1957 appropriated about ¥97 million (US$270,000) for the direct expenses of technical assistance, an increase from ¥58.5 million in 1956 and ¥40 million in 1955.

The International Bank for Reconstruction and Development extended loans to three ECAFE countries amounting to $63.1 million during the twelve months ending on 30 June 1957. Of these sums, the largest part, aggregating $35.4 million, was lent to borrowers in India, followed by Japan with $24.3 million and Thailand with $3.4 million (see table 10). Total World Bank loans to ECAFE countries up to 30 June 1957 amounted to a little more than $466 million. India received nearly $234 million, Pakistan $77 million, Japan $76 million, Thailand $41 million, and Burma and Ceylon about $19 million each.

Subsequently, in September 1957, the Yanhee Electricity Authority of Thailand signed a loan agreement with the Bank for $66 million at 5.75 per cent interest and repayable in 25 years. This was to finance the first stage of the multiple-purpose project for electric power development, flood control and irrigation. In November, the Bank agreed to lend $21 million to the Philippines for the Binga hydro-electric power project which is the second stage of the Agno river development scheme. A loan of $4.2 million to the Pakistan Industrial Credit and Investment Corporation was approved in December 1957. Additional loans to India brought the total of that country to about $324 million by September 1957.[1]

The Expanded Technical Assistance Programme of the United Nations and the various specialized agencies brought to the ECAFE region in 1956 $8.9 million, or more than one-third of all direct project costs on the technical aid programmes. Experts assigned to the ECAFE region numbered 808 and 964 in 1956 and 1957 respectively, and fellowships

[1] See below, chapter 3.

Table 10. ECAFE Countries: Loans from the International Bank for Reconstruction and Development, July 1956-June 1957

(In United States dollars)

Country	*Total loan*	*Loans during year 1956/57*	*Date*	*Term*	*Borrower*	*Purpose*
Burma	19,350,000					
Ceylon	19,110,000					
India	233,844,313	*35,400,000*				
		20,000,000	19 Dec. 1956	11-year, 5%	Indian Iron & Steel Co.	Additions to billet and structure mills and new bar mill
		5,600,000	5 March 195'	9-year, 5½%	Air India International	Purchase of 3 long-range jet passenger airplanes. (addition to $11.2 million raised from 5 US banks)
		9,800,000	29 May 1957	18-year, 5⅜%	Tata power companies	Expansion of Trambay thermal electric power plant near Bombay
Japan	76,033,389	*24,300,000*				
		20,000,000	19 Dec. 1956	15-year, 5%	Japan Development Bank (for Kawasaki Steel Corporation)	Construction of modern strip mill at Chiba plant near Tokyo
		4,300,000	19 Dec. 1956	15-year, 5%	Agricultural Land Development Machinery Public Corporation	Land reclamation, and importation of dairy cattle
Pakistan	77,250,000					
Thailand	40,800,000	3,400,000	12 Oct. 1956	15-year, 4¾%	Port Authority of Thailand	Purchase of equipment to maintain channel leading to Bangkok and the port basin

Source: IBRD Twelfth Annual Report, 1956/57.

awarded to persons from the region totaled 752 and 857 in the corresponding years. The direct cost of the programme for the ECAFE region in 1957 is planned at $9.9 million.[1] Although the Special United Nations Fund for Economic Development (SUNFED) has not come into being, the United Nations General Assembly in 1957 approved an important new programme, appropriating $100 million for a Special Fund to extend the scope of assistance rendered by the United Nations Expanded Programme of Technical Assistance. In southern Korea, the United Nations Korean Reconstruction Agency (UNKRA) programme was in its last plase in 1957, and it was expected that by mid-1958 all projects would be completed.

Finally, Japanese reparations payments have now become a substantial source of capital for the recipient countries. Burma has received $20 million a year since 1955, and the Philippines $25 million a year since 1956. Indonesia is to receive $20 million a year. These payments add to the available exchange resources of these countries and are all the more important as the funds are largely earmarked for capital goods imports. The reparations agreements also provide for loans at low rates of interest by Japanese banks under the auspices of the Japanese Government. Loans have so far been made only in Burma, for joint enterprises, but the total amounts contemplated ($50 million for Burma over 10 years, $250 million for the Philippines over 20 years, $400 million for Indonesia over 20 years) are sizable.

Import restrictions[2]

The intensification of pressure on the balance of payments in the current year necessitated a tightening of restrictions on imports by some countries. Burma during the greater part of 1956 followed an import policy in which open general licences were done away with and even imports on government account for development were reduced. The effects of this rigid rationing of imports appeared in commodity shortages and rising prices with the result that, in the latter part of 1956, the open general licence was partially restored. India, faced with serious balance of trade problems since the inception of its second five-year plan in early 1956, has increasingly followed a restrictive import policy since that time. In the first half of 1957, steps were taken to reduce import quotas for a large number of items and eliminate "newcomers" when issuing import licences. From July to September 1957, even certain commodities rated as essential were denied quotas. Important changes were also introduced in the licensing policy for imports of capital goods and of heavy electrical machinery. Licences were granted only where deferred payments had been agreed upon between the importer and the supplier and the first instalment of payment falls due after 1 April 1961.

Indonesia also was obliged to adopt restrictive import measures in 1956, and continued this policy into 1957, with additional exchange control measures. Indonesian exchange control policy has not, however, aimed at direct control over the volume of imports but has centred mainly on the issue of negotiable certificates for all exports and the imposition of surcharges on imports of various categories of goods ranging from essentials to super-luxuries. Import policy in Pakistan in 1957 was geared to achieve a closer balance between export earnings and expenditures on imports. The import policy entails in the main the reduction of licensable items of a non-essential character, stress on imports of capital goods and industrial raw materials and a rational determination of priorities among various consumer goods.

There has also been increasing recognition in the region of the importance of making full use of fiscal and monetary measures as a more fundamental way of stabilizing internal demand and thus preventing undue pressure on the balance of payments. This has resulted in a reduction of exchange restrictions where circumstances permitted. Japan, for example, with its considerable degree of reliance on fiscal and monetary measures, has been able to liberalize its payments system appreciably by substituting transferable payments arrangements for bilateral arrangements. Some countries—for example, southern Korea and southern Viet-Nam—whose imports consisted very largely of aid imports—have not felt the necessity of imposing any direct import restrictions, apart from mild manipulations of customs duty rates (southern Korea), new regulations governing registration of importers (southern Viet-Nam) and so on. Ceylon, which ran into balance of trade difficulties in the first half of 1957, also undertook to meet the situation not by exchange restrictions but by raising import duties on a number of articles, especially luxury items.

* * *

An important development which is expected to affect the foreign trade of the ECAFE region is the creation of a European Economic Community. This Community, with Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands as contracting parties, and including also their overseas territories, was formally instituted from 1 January 1958. A major object is the formation of a customs union by elimination of tariffs between the several members over a period of 12-15 years.

[1] The allocation for Asia in 1958 is preliminarily reported at 36 per cent of a world total of $31 million, or about $11 million.

[2] See "Review of Import and Export Licensing Policies and Procedures" (E/CN.11/TRADE/L.6), 22 November 1957.

Since countries of the ECAFE region have important export outlet and sources of imports in the six countries, the integration of these countries and their overseas territories into a single "common market" for purposes of international trade will undoubtedly have repercussions on the trade of ECAFE countries. However, in the absence of final determination of common customs tariffs and other related matters, an assessment of the possible effects is difficult at this time. Consideration will be given to this problem by the ECAFE secretariat during 1958.

THE DOMESTIC INFLATIONARY POTENTIAL

THE GAP BETWEEN EFFECTIVE DEMAND AND EFFECTIVE SUPPLY

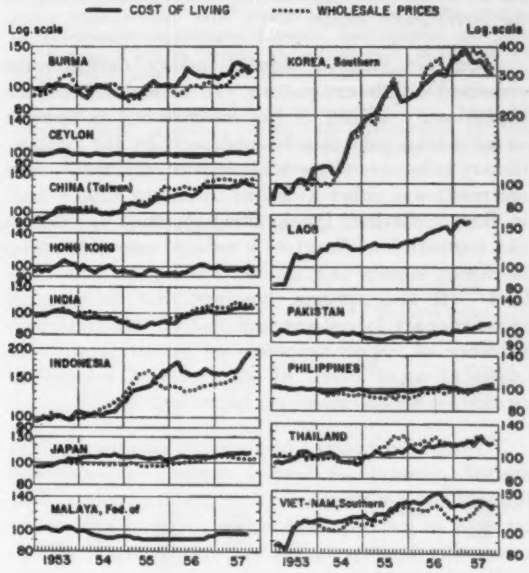
Inflationary tendencies continued in 1957 in most countries of the region despite larger apparent per capita supplies of foodstuffs and of imported consumer goods. Food output in crop year 1956/57 was generally higher than in crop year 1955/56.[1] There was a significant rise in the output of cereals, although non-cereal food crops did not show a similar rise. Industrial production continued to register important gains, although the rise was not as fast as in 1956. Domestic production of food and consumer manufactures were supplemented by substantial imports, often at the expense of dwindling foreign exchange reserves.

The cost of living index tended to be higher in most countries than in 1956,[2] usually because of its food component. There was also a substantial rise in the wholesale price index. The rise in the price level was due to both internal and external factors. The import price indexes registered a significant increase in many countries of the region, reflecting in part the cost inflation in several industrialized countries outside the region.

Internally, there were two main contributory factors, on the demand side, to the inflationary tendency in many countries — government deficit financing and the expansion of bank credit to the private sector. In the government sector, both current and capital expenditures continued to rise. Government budgets tended to exert an expansionary impact on money supply and incomes in many countries of the region. The expansionary impact of the government sector on money supply can be gauged by numerous increased cash deficits. In the case of India and Indonesia, government borrowing from the banking system, adjusted for changes in deposit holdings, rose spectacularly.[3] In India, the acceleration of government expenditures, since not matched by the mobilization of non-deflationary sources of financing, resulted in a rise of the cash deficit to almost double the level of the previous year. In Indonesia, because of the disturbed political conditions, there was a reduction in government revenues and a substantial rise in expenditure (partly also because of increased grants to the outer provinces). There was also a marked rise in government cash deficits in the case of Ceylon, Pakistan and Thailand.

Chart 6. ECAFE Countries: Price Indexes, 1953-1957

(1953=100)



The expansionary impact of the government sector appears to have been accentuated in many countries of the region by increased business activity in the private sector. Bank credit to that sector, adjusted for changes in the level of time and saving deposits, increased markedly in Burma, Cambodia, China (Taiwan), the Philippines and Thailand. The private sector also continued to exert an expansionary effect although at a slower pace than in 1956, in India, Japan, southern Korea and the Federation of Malaya.

On the whole, in combination, the two internal factors, government and private financial operations, exerted a significant expansionary effect on money supply and income in Burma, Ceylon, China (Taiwan),

[1] However, food output declined in Ceylon and southern Korea.

[2] Except in Cambodia, Hong Kong and southern Viet-Nam where the cost of living index has remained stationary or shown some decline. It may be noted that the cost of living index in many countries covers only urban areas and does not fully reflect the price level in the rural areas.

[3] The comparison is between the net change in claims on government by the banking system after adjustment for deposit holdings during the first three quarters of 1957 and the corresponding change during the same period of 1956.

India, Indonesia, the Federation of Malaya, the Philippines and Thailand. In the case of Japan, the increase in bank credit to the private sector was partially offset by a decline in the cash deficit of the government sector.

On the external side, monetary developments presented a different picture. In most countries, the expansionary impact of the internal factors appears to have been substantially cushioned by the contractionary influences of the large import surpluses.[1] The net result was either a decline in money supply (e.g. in Burma, Ceylon, Japan, the Federation of Malaya and southern Viet-Nam) or a reduced rate of increase in money supply (e.g. in the Philippines and Thailand). It also appears, however, that the strength of inflationary forces was such that the contractionary influence of import surpluses on money supply was offset, in many cases, by an increased velocity of circulation which caused prices to rise.[2]

Thus, in a number of countries effective demand exerted pressure on limited domestic supplies and brought about a substantial increase in imports. This increase in imports, and hence the tendency of the commodity import surplus to become larger, was in itself an expression of mounting inflationary potentials at home. If imports of consumer goods and services are forthcoming in increased volume, internal prices will be prevented from rising to the extent which would otherwise inevitably be the case. But the price stability thus achieved does not mean that inflationary pressure is not present in the domestic economy. In short, inflationary pressure may be reflected either in a rise of internal prices or in a widening of the import gap, or in both.

Several factors seem to have contributed to this pressure. Firstly, private money incomes have been continuously rising as a cumulative result of large budget deficits and rising private investment activity (both made possible to a substantial extent through credit creation by the banking system). Secondly, in some cases it appears that not only the amount but the proportion of income consumed, the latter being already very high in most countries of the region, may have increased. It is natural that the very low levels of consumption should make an immediate and pressing claim on increase in incomes. In other words, in such circumstances, a rise in incomes cannot be expected to lead automatically to increased savings. Unless deliberate economic action is taken to restrain such a rise in consumption demand, and to devote an adequate share of the increase in private income to saving, the consequences are clear. Either the process of capital formation, and hence of economic growth, will be held back for lack of funds, or the economy will be subjected to severe inflationary pressures and inordinate pressure will also be exerted on the balance of payments.

Although apparent supplies in the aggregate rose markedly owing to higher domestic food output and a spectacular rise in imports of consumer goods, the real position tended to be tight because of various deficiencies, rigidities and bottlenecks in production and distribution. The supply of agricultural products, especially food, has been relatively inelastic in response to the increased demand. Sharp increases of supply are required to meet the growth in demand, as the income elasticity of demand for food continues to be high in most countries of the region. The general sluggishness of agricultural production—despite such increases as have occurred—not only acts as a brake on economic development but makes difficult a fundamental attack on the problem of inflation and economic instability.

It is likely also that the more favourable internal terms of trade in 1957 for agricultural products (especially foodstuffs) as against urban manufactured goods has resulted in a somewhat increased share of agricultural products being retained and consumed in rural areas. In such circumstances, gaps between effective demand and effective supplies in cities naturally tend to widen.

In addition, it appears that effective supplies have been prevented from reaching the consumer market in many of the countries of the region by a substantial rise in hoarding of stocks of foodstuffs and imported consumer goods. The buoyancy of demand in the face of continued uncertainty as to the level of food output and supply clearly strengthened speculative forces in several countries. At the same time, because of increases in holdings of accumulated stocks, the high rates of import of consumer goods in 1957 did not always bring a commensurate relief of actual shortages. Special measures were therefore taken in the course of the year in several countries (e.g. in Burma, India, Pakistan and the Philippines) to curb speculation in essential domestic and imported commodities. Measures such as the curtailment of bank advances against commodities in short supply, govern-

[1] Whereas an export surplus is clearly a causal factor on the side of expansion, an import surplus, in circumstances such as are under consideration here, is rather to be regarded as induced by the domestic inflationary forces. It may be added that, on the supply side, the full inflation-absorbing effect of an import surplus is somewhat reduced to the extent that the surplus reflects larger imports of capital goods rather than of consumer goods. This was the case in some countries of the region. On the demand side also, of course, to the extent that capital goods imports come about through foreign investment or foreign aid, there is no net contraction of the local money supply.

[2] The velocity of circulation of bank deposits, as measured by the ratio of bank clearings to demand deposits, tended to rise in 1957 over 1956 in Burma, Ceylon, China (Taiwan), Japan, the Federation of Malaya, the Philippines and Thailand.

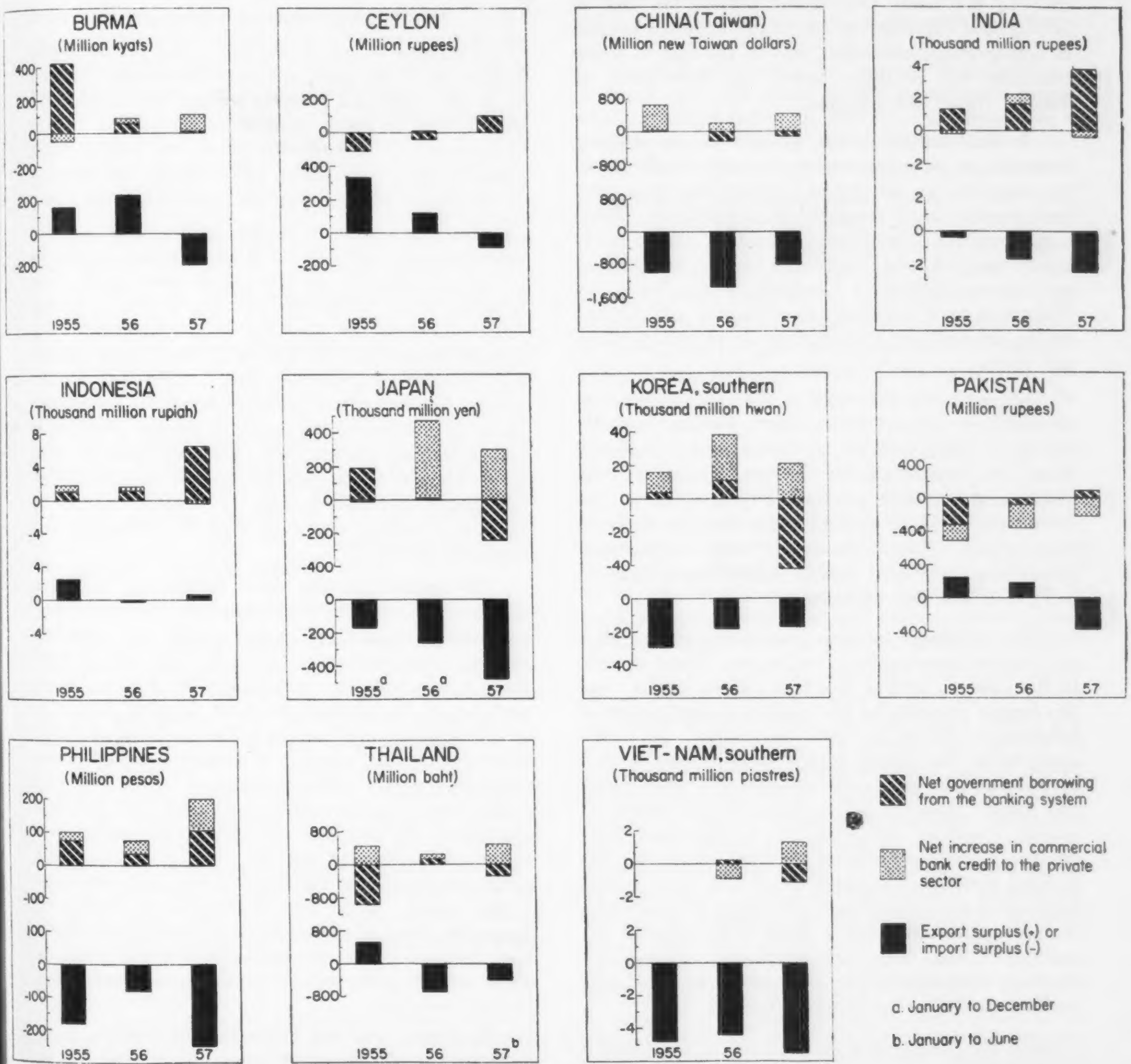
ment "open market operations" in food, rationing and price controls were frequently used in these and some other countries.

GOVERNMENT FISCAL OPERATIONS

In recent years, the government expenditure pattern in many countries in the ECAFE region has consisted, in substantial part, of non-developmental expenditures—for example, on defence, general administration, and debt service.[1] These non-developmental expenditures add up in some cases to more

[1] In terms of the categories used in table L of Asian Economic Statistics, below, non-developmental expenditures include the categories "defence" and "other current expenditures". This division of government expenditures between developmental and non-developmental follows broadly the classification adopted in the *Sixth Annual Report of the Consultative Committee of the Colombo Plan* (Saigon, October 1957). The categories "subsides", "contributions to provincial and lcoal governments" and "loans and advances (net)" in table L contain both developmental and non-developmental components but the element of uncertainty involved does not affect the conclusions drawn above.

Chart 7. ECAFE Countries: Factors in Inflationary and Deflationary Trends, 1955-1957
(January to September of each year)



than half of total government expenditures. Apart from the dependencies, it is only in Ceylon, mainland China, India, Japan, the Federation of Malaya and the Philippines that development expenditures, i.e. expenditures for economic and social purposes, clearly constitute the larger share of government spending—although in certain other countries such as Afghanistan, southern Korea and Pakistan there may be an approximate balance. (This emphasis on developmental expenditures is a reflexion, generally speaking, of the fact that a smaller share of the budget goes for defence). In some countries, the pattern of government spending is partly a function of the pattern of large-scale foreign economic and military aid. In the fiscal year under review, the rise in development expenditures apparently exceeded the rise in non-developmental terms only in the case of a few countries—for example, India, the Federation of Malaya, Nepal and Pakistan.

In the latest fiscal year, government expenditures increased, or were expected to increase, in almost all the countries of the region. These increases were quite general in all categories of expenditure. There were, however, significant percentage increases in expenditures on food subsidies in Ceylon; on transport and communications in Cambodia, Laos, Nepal, the Philippines and Thailand; on agriculture in Pakistan; on the development of industries in mainland China and India.

In contrast to the rising tendency of government expenditures, current government revenues generally rose at a slower rate or, in a few cases, declined.[1] Thus, the withdrawal of private income by the government did not increase in proportion to the income generated on account of increased government expenditures. Even in the case of India, for example, government revenues, though registering a marked gain, rose less than expenditures.

The imbalance between government expenditures and current revenues has now become almost chronic in the case of several countries of the region, and this largely accounts for the continued accentuation of inflationary forces in their economies. In many countries of the region, budget deficits have in part been financed by substantial amounts of foreign grants and loans. However, a large part of such deficits in several countries continues to be financed from internal inflationary sources, by borrowing from the banking system or running down cash and deposit balances of the government. In only a few countries of the region was there a marked increase in the amounts raised from non-inflationary sources—by taxation, long-term loans subscribed by the non-banking public, or institutional savings.

[1] Burma (1957/58), Hong Kong (1957/58) and the Federation of Malaya (1957).

In 1957, there was a large increase in the amount of governmental borrowing from the banking system (calculated after appropriate adjustment for changes in government deposits) in Ceylon, India, Indonesia and Pakistan. A smaller increase of the same kind continued to exert an expansionary influence on money supply in the Philippines as well. However, in China (Taiwan) and Japan there was a large decline in the monetary claims on the government sector. In China (Taiwan), government revenues were buoyed up by a significant rise in national income and production. In Japan, the governmental fiscal operation played an anti-cyclical role in the vigorous private investment boom.

Private business activity

Financial activity in the part of the private sector with access to the banking system (sometimes referred to as the organized business sector) was accelerated during 1957 in many countries of the region. There was generally a substantial increase over 1956 in bank loans to the private sector. In addition, the velocity of circulation of bank deposits appears to have risen.

However, such increases in financial activity cannot automatically be taken as indicating a rise in private investment in plant and equipment. For instance, much of the rise in bank credit in Burma reflected mainly the need for import financing in a speculative market. In Thailand, there was a sizable accumulation of imported stocks, facilitated by an equally substantial rise in bank loans. In the Philippines, in addition to the needs of private investment, real estate and consumption loans rose sharply, and there was also a demand for finance on account of the greatly increased volume of imports, largely of consumer goods or materials used for manufacturing consumer goods.

As regards private fixed investment, adequate data are not available to warrant firm generalizations. Statistics of imports of capital goods, and materials chiefly for capital goods, during the first half of 1957 indicate that, with the exception of Hong Kong, India and Japan, their share of total imports generally remained about the same as in the first half of 1956. Since the rise in the prices of imported capital goods was much greater than in those of other imported goods, their share in real imports may have declined somewhat. However, in view of the substantial rise in the total volume of imports, imports of investment goods probably rose significantly in many countries of the region. In the case of Hong Kong, India and Japan, the share of capital goods and materials chiefly used for such goods rose markedly over the previous year, reflecting the vigour of the investment boom in these countries.

In Ceylon and the Federation of Malaya, bank credit to the private sector continued to rise, but at

a slower pace than in 1956. In these countries, private savings and private investment both showed signs of weakening. It also appeared that private fixed investment in several countries was adversely affected by the outflow of private foreign investments (e.g. Burma, Ceylon and Indonesia). In India and Japan, private money savings failed to rise sufficiently to meet increased demands for investment, particularly in inventories.

In India, Japan and several other countries, monetary policy was therefore aimed at curbing an undue expansion of bank credit, in order to restrain the pressure of inflationary forces. The monetary measures used included the upward revision of the bank rate in several countries,[1] the raising of the minimum reserve requirements of commercial banks and the imposition of selective credit controls. Such monetary action was supplemented in a few cases by fiscal and other restraints with apparent resulting success in limiting the further expansion of bank credit in the private sector. However, it appears that, in many instances, measures to curb monetary and credit expansion were offset by the public's attempt to maintain its spending, which thus increased the velocity of circulation.

To sum up, there was in many countries an imbalance, and frequently a widening imbalance, between private demand for loanable funds and private savings available for investment. The evidence suggests that, on the demand side, the cause was partly a rise in private fixed investment and partly an increase in stock and inventory demand, often for speculative reasons. Furthermore, on the supply side, there were indications that private money savings generally failed to increase and even declined in some countries, accentuating the imbalance between the demand and supply of loanable funds.

Some individual cases

The lack of up-to-date and reliable data in many countries of the region precludes a detailed analysis of the forces of inflation or deflation in terms of income and expenditure flows. However, some attempt is made here to examine a few typical instances of the interaction of external and internal forces with actual or latent inflationary effect. Japan and India[2] may be taken as typical of the process whereby intensified investment has given rise to internal inflationary pressures with attendant external disequilibrium. But inflation can also be brought about by a rise in consumption out of line with national income. The Burmese experience in 1957 perhaps illustrates this case. Again, Ceylon in 1957 appears to provide a case of decreased effective supplies resulting in increased inflationary pressure, that is, of inflation in the absence of economic growth.[3]

The experience of Burma shows that, despite a comparative slackening in private and government developmental investment activities[4] and despite a relatively large inflow of imported goods, inflationary pressures are not necessarily reduced. Supply and distribution bottlenecks and speculative demand have continued to generate inflationary forces.

Gross domestic product in real terms was estimated for fiscal year 1956/57 at 6 per cent higher than in fiscal 1955/56. In addition, there was a large net inflow of imports which enlarged the supply of domestically available resources by an amount estimated at almost 8 per cent. The impetus to inflationary pressures was not given by the government sector, where a budget deficit in 1955/56 was turned into a small surplus in 1956/57, or by private fixed investment, which did not appear to increase significantly.

However, commercial banks increased their loans to the private sector abnormally during 1955/56 and 1956/57, the increase being over 100 per cent higher than the increase in the corresponding period of the previous year. Most of the loans went to the trade sector—especially to rice and imported goods—instead of to investment in plant and equipment. On the other hand, private savings, though increasing slightly, did not significantly reduce the money supply. Since the demand for fixed capital formation did not rise to any marked extent, it must be inferred that the greater part of the excess money supply was used to finance inventory accumulation and consumption. Though the available data are not conclusive, there are indications that consumption rose disproportionately to the increase in national income. This may be attributed to the fact that there has been an accumulation of pentup demand in the last four years in Burma, when consumer goods imports were, in general, restricted.

Real gross domestic output per capita rose almost 10 per cent between 1952/53 and 1955/56, while real consumption per capita has remained practically stationary. The policy of restraint in respect of private incomes and consumption was carried out by restrictions of two kinds—on the prices paid to paddy producers, which remained practically unchanged during this period, and on imports of consumer goods. However, non-rural money incomes rose significantly as a result of a generally high level of expenditure for capital formation in the public sector, financed

[1] This was also necessitated by the large rise in bank rates in the financial markets of the world.

[2] See chapter 3, below, for a discussion of current inflationary pressures in India. In the case of Japan, the statement here applied in the early part of 1957, as measures were taken subsequently to arrest inflation and rectify the payments situation.

[3] Under the central economic planning of mainland China, some price rises were registered but inter-sectoral imbalances were for the most part reflected in other ways. See chapter 4, below.

[4] Burma's rate of investment has, however, been one of the highest in the ECAFE region during the past decade. Gross investment averaged about 17 per cent of gross domestic product in 1947-1956.

partly through budget deficits. This situation resulted in the accumulation by the private sector of large liquid assets which have, in 1956/57, become the basis for increased spending on consumer goods. Private rural incomes, too, in 1956/57 spurted upwards as a result of some increase in the price paid to paddy producers for the first time in several years.

Although the inflationary pressures in 1957 can be largely attributed to the expansion of bank credit, mainly for trade activities, the changed structure of supply itself accounts for additional pressures of inflation in the economy. Thus, the rise in the price of non-cereal foodstuffs produced domestically has been substantial, owing in part to a reduction in output. Several supply bottlenecks still exist in Burma, where the process of postwar reconstruction is still incomplete. The liberalization of the import policy in 1957, designed to absorb excess demand, permitted the prices of certain consumer goods to fall, and the private sector raised its level of consumption. However, the several shifts in import policy and the resulting uneven flow of imports have aggravated speculation.

The Government therefore took several measures during 1957 to curb speculative stocking up, especially of imported goods. It formed several joint venture corporations with private interests, with the immediate objective of making imported goods available at reasonable prices. The Government's Essential Imported Commodities Storage Order 1957, issued early in the year, and other measures of a monetary character were designed to check excessive hoarding in the private sector. The Union Bank of Burma increased the minimum reserve ratios for commercial banks from the previous level of 3 per cent against time deposits and 8 per cent against demand deposits to 6 per cent and 16 per cent respectively, with effect from 31 August 1957.

In Ceylon, both aggregate effective demand and effective supplies of goods and services tended to decline in 1957. The appearance of inflationary pressure[1] seems to have been the result of a greater reduction in effective supplies than in effective demand. The country's real national income, which declined in 1956, appears to have been further reduced during 1957 owing mainly to lower food output and a substantial and continued deterioration in the terms of trade, combined with a fall in the level of exports. Rice production in crop year 1956/57 declined by over one-fifth. Losses from changes in the terms of trade probably accounted for a decline in incomes amounting to about 5 per cent.

The decreases in private incomes and consumption were partly offset by a rise in the activity of the government sector, especially public capital formation, and were in any case somewhat moderated by a higher level of transfer payments (mainly food subsidies) to the household sector.[2] Despite these offsetting influences, incomes in the urban and plantation sectors of the economy declined owing to a fall in employment and in real wages. Apparent real consumption probably fell proportionately less than gross national product, however, in view of the substantial increase in the imports of consumption goods and related materials.[3]

The fall in private incomes and the continued pressure for current consumption appears to have reduced savings in the private sector below the already lowered level in 1956. Time and savings deposits rose less than in 1956. Imports of machinery on private account probably declined below the level of 1956, although total imports rose substantially. A decrease in private investment activity is further indicated by the continued outflow of private capital from the country.

Activity in the government sector rose over 1955/56, partly offsetting the decline in activity in the other sectors. Central government expenditure on goods and services for current and capital formation purposes combined rose in fiscal 1956/57 by about ten per cent over the previous year, and expenditure on capital formation rose markedly over expenditure for current payments (although the latter appears to have risen at the end of the calendar year 1957 as a result of wage and salary increases). Within the category of public capital formation, the accent has shifted from the extension of social overhead facilities to economic investment, especially public utilities and irrigation works. The declining level of private investment activity since 1955 and the increased impetus to public capital formation in the last two years has resulted in a decisive shift in investment activity from the private to the public sector. In fiscal 1956/57, gross expenditures on government capital formation were probably twice the level of private investment expenditures.

Government revenues declined in 1956/57 because of the reduction in national income. The resulting budget deficit was met largely through borrowing from the banking system. The rest of the deficit was financed by increased foreign grants (United States aid in addition to assistance under the Colombo Plan) and foreign borrowing (principally from the International Bank for Reconstruction and Development).

[1] The rise in the cost of living index (namely, 3 per cent in the first nine months of 1957 over the same period of 1956) is an imperfect guide to the pressure of inflation in view of the substantial food subsidies provided by the Government.

[2] The amount of transfer payments rose by 25 per cent between fiscal years 1955/56 and 1956/57. Food subsidies in fiscal 1956/57 were estimated at over one-tenth of total current payments of the Central Government.

[3] Imports of consumption goods, and of materials chiefly for consumption goods, increased by 21 per cent in the first half of 1957, as compared to the corresponding period in 1956. Rice imports were at least 50 per cent higher than in the same period the year before.

The rise in the budget deficit far exceeded the fall in private investment and raised the demand for gross domestic savings. The supply of domestic savings, however, was reduced as a result of the fall in private incomes. This internal imbalance between the demand and supply of savings naturally resulted in a draft on the external sector. There was a large import surplus and a severe fall in the foreign exchange assets of the country.

The economy of Japan in 1957[1] illustrates the conflicting claims of internal growth and external equilibrium in a private investment boom. The export-initiated boom of 1954/55 continued into 1956, when private investment activity gained extraordinary momentum. Private investment continued to climb with still greater vigour during the first half of 1957. However, a comparative slackening in the rate of growth of exports and a severe turn in the balance of payments caused mainly by increased imports of producer goods—raw materials for inventory stockpiling and capital goods for greater fixed investment—led, in the second half of 1957, to restrictions on bank credit to the private sector and to the enforcement of fiscal retrenchment. These measures resulted in cutbacks in investment and production, though with a time lag.

Although the internal resources of business enterprises were considerably enlarged during the first half of 1957, the boom in private fixed and inventory investment continued to be financed, as in the past few years, mainly by increased bank credit.

During the first three quarters of 1957, wage costs per unit of manufacturing output continued to decline owing to the continued expansion of productivity and to the lag of wage increases behind productivity gains. Real wages in manufacturing, for instance, rose less than two per cent over the corresponding period of 1956, while productivity, as measured by output per man hour, was at least 15 per cent above the average of the first three quarters of 1956. The total wage bill rose only moderately since the increase in employment in terms of man hours worked was insignificant. Owing to the substantial reduction in money wage costs per unit of output, profits were maintained at a high level during the first three quarters of 1957 despite a rise in the price of raw materials, especially of imported materials. However, there were signs of decreasing profit margins and sales towards the end of the year, presaging the advent of deflation.

The continued absolute and relative growth of profit income which facilitated the investment boom tended to depress the share of personal consumption in the gross national product. In effect, the inflationary pressures in the Japanese economy can be traced to the attempt of the business sector to expand its rate of investment much faster than the rise in real gross national product or the increase in real personal consumption. However, this attempt came up against the balance of payments ceiling in an economy whose growth rate is subject to the requirements for increased imports.

Thus, the accelerated pace of private investment produced a vastly increased inflationary potential in the economy. This was only partly offset by the budget surplus in the government sector. The rest of the expansionary effect exerted a tremendous pressure on the balance of payments, resulting in a huge import surplus and a great depletion of foreign exchange reserves.

In the first half of 1957, inventory behaviour was an important factor in the emergence of inflationary pressures and in the deterioration in the balance of payments position of Japan. The continued buoyancy of export demand during the last three years increased the demand for imported raw materials. First, the import content of raw material consumption in domestic industry has been rising faster than either the total consumption of all raw materials or the total increase in production. In Japan's economy, beyond a certain level of production, the degree of dependence on imported raw materials necessarily rises sharply. Secondly, the demand for inventories of imported raw materials actually rose much more speedily than did their consumption for production purposes.[2] This demand was further accentuated in early 1957 by speculative pressures engendered by the uncertainty of the future supply of imported raw materials (in view of the deteriorating balance of payments position of the country) and by the anticipation of impending governmental restrictions on investment, production and imports.

While the rise in inventories during the first half of 1957 took the form of "voluntary" accumulation of imported raw materials, in the second half there was an "involuntary" accumulation of finished manufactures, partly owing to excess production relative to the export offtake and partly to contractionary forces generated by monetary restraints and a general policy of curtailing investment. This began to bring deflationary pressures to bear on the economy. Prices tended to weaken, production and employment showed some relative declines, and investment activity exhibited signs of slackening. It was expected that in 1958 there would be a gradual downward adjustment of investment, production and employment in tune with the requirements of external equilibrium.

[1]A longer-term review of developments in the economy of Japan is presented in the next chapter.

[2]However, with the slackening of production in the second half of 1957, there was again a reversal in the process of raw material consumption; that is, the rate of raw material consumption tended to decline more than the rate of production. This helped to restore balance of payments equilibrium within a relatively short period.

Chapter 2

GROWTH AND STRUCTURAL CHANGE IN A PRIVATE ENTERPRISE ECONOMY (JAPAN)

THE BASIC PROBLEM

For the Japanese economy, 1957 was a time for pause and re-orientation. During the preceding two years, the economy had been running continuously at high speed. The scale of economic activities, as measured in terms of real national income, had expanded at a remarkably rapid rate—by 11 per cent in fiscal year 1955 and 9.8 per cent in fiscal year 1956.[1] This was by far the highest increase among industrial countries. In 1956, industrial production had risen by 23 per cent over the previous year, and in July 1957 it was still running at 14 per cent above the level reached twelve months earlier. In the latter half of 1956, however, there were indications that this rate of expansion could not be maintained if the country were to avoid serious consequences such as bottleneck inflation and growing deficits in the balance of payments. In 1957, therefore, the logic of economic events forced Japan to pay renewed attention to problems of economic growth and to re-examine the foundations of its economy.

The key question was not that of the maximum rate of growth attainable, but of a rate compatible with the basic conditions of Japanese economy—one able to ensure, in certain important respects, balanced economic development. What is the rate of growth, Japanese experts have been asking, that must be postulated to obtain smooth development with a minimum of fluctuation, and that can therefore be regarded as optimal in the long run? This is the basic issue underlying the new five-year economic plan (for fiscal years 1958-1962) recently worked out by the Advisory Council for Economic Affairs and adopted by the Government on 17 December 1957.

The implementation of any such long- or medium-term programme requires a clearly thought-out and internally consistent economic policy in order to counteract inflation, balance of payments deficits and other forms of instability, whether originating at home or abroad. The problem, in a private-enterprise industrial economy, is to a substantial extent caused by the behaviour of business cycles. Broader questions of theory aside, it is essential as a practical matter to ascertain whether, within the framework of a growing private-enterprise economy, a certain degree of stability can be achieved and the more violent type of cycle avoided.

Japan offers a good testing ground for this inquiry. Now that the Japanese economy appears to have entered its first major postwar cycle after the years of recovery, it is of particular interest to examine the country's postwar transformation briefly from the point of view of growth and cycles, and thus obtain some practical guidance how best to achieve balanced growth.

Japan's economic problems are not, of course, limited to those connected with growth and cycles. The country's economic structure, which has undergone far-reaching changes since the end of the war, is faced with other serious difficulties. These complications have their roots in Japan's past. The country started its industrialization relatively late, but was not long in drawing almost level with the more advanced West. The very fact that its rate of growth was so remarkable, however, merely served in some ways to conceal the underlying problems, instead of hastening their solution. Moreover, that development was itself instrumental in distorting Japan's economic structure in many important respects.

The basic problem which Japan, though possessing a highly industrialized economy unique in Asia, shares with many other countries of the region is that of a fundamental imbalance between population and resources. The inevitable consequences are widespread underemployment and lack of firmness in the material basis on which the whole industrial and monetary structures are built. Another implication of pressure of population in the case of Japan is extensive and somewhat inflexible dependence on foreign trade, which constitutes the very foundation as well as the limiting factor of Japan's economic growth.

GROWTH TREND AND CYCLES IN THE POSTWAR PERIOD

Recovery and growth

The pace of economic development in postwar Japan was so rapid as to surpass the boldest expectations of the economic planners. Starting in 1946 from one-third of prewar production, industrial activity regained the prewar level between 1950 and 1951 and in mid-1957 rose to nearly 260 per cent. Agricultural production recovered at a somewhat

[1] The fiscal year is from 1 April of the year shown to 31 March of the succeeding year.

slower but fairly steady pace and by 1950 was almost back at the prewar figure. Real national income is now more than 50 per cent above prewar. The postwar decade thus showed an annual rate of increase of 21.3 per cent compounded in industrial production and of 11.4 per cent in real national income. The latter rate is far higher than the average prewar figure of approximately 4 per cent and undoubtedly one of the highest in the world in the postwar period.

This rate of economic growth is, of course, attributable in large degree to the simple process of recovery from a very low level in the immediate postwar period, when over a quarter of the national wealth had been destroyed. The process was helped by the excess of imports over exports made possible by United States aid. The circumstances in the period were exceptional,[1] and the rate was far from representing a long-term trend.

[1] Another favourable, if subsidiary, factor was the freedom from the burden of military expenditures, although this was counterbalanced to some extent by the costs of occupation.

Before such trends can be examined, therefore, it is essential to determine when the period of reconstruction ended. Although it is impossible to give a precise date, the evidence suggests that, by the end of 1953, the Japanese economy had nearly emerged from the immediate postwar recovery phase. As far back as 1950 and 1951, production and real national income regained prewar levels, but the behaviour of individual consumers and enterprises in these years (see table 11) indicates that the most pressing consumption demand had hardly been satisfied. In 1950, the abnormal process of eating up accumulated capital had just come to a halt. Until about then, corporate enterprises were also not in a position to save sufficiently for investment or to provide adequate allowances for depreciation. In other words, the supply of savings was either minus or inadequate for even the most urgent needs of reconstruction (see table 12). In such circumstances, at this stage of recovery, continuing inflation was a necessary evil. So long as the economy had not been restored to its normal capacity, there were always forces that tended to create demands upon the nation's production far in excess of its capacity.

Table 11. Japan: Indexes of Growth of the Economy in the Postwar Period
(Annual average, 1934-1936=100)[a]

Year	Real national income	Real national income per capita	Industrial production[b]	Agricultural production	Real wages (manufactures)	Real per capita consumption level (Tokyo)
1939 (war-time-peak) .	116.7	113.3				
1946	57.1	52.0	33.2	77.3		
1947	60.5	53.2	40.3	74.7	28.1	55.4
1948	70.6	60.6	60.5	86.0	46.9	61.2
1949	81.6	68.5	71.6	92.5	59.5	65.0
1950	97.2	80.1	93.3	98.9	76.8	69.8
1951	107.1	86.9	118.4	99.2	84.2	68.9
1952	117.5	93.9	130.6	111.2	96.2	80.2
1953	124.1	98.2	161.4	97.6	103.5	94.0
1954	127.8	99.3	166.9	105.8	105.5	100.0
1955	142.8	109.7	189.7	127.9	109.9	106.5
1956	156.8	119.2	231.7	121.5	107.9	109.4

Source: Economic Planning Agency of the Japanese Government.
[a] For agricultural production, 1933-1935 average=100.
[b] Covering mining, manufacturing and public utilities.

Table 12. Japan: Savings Behaviour, Prewar and 1946-1950
(Amount in billions of yen)

Year	Personal disposable income	Individual savings	Average propensity to save	Gross national product (GNP)	Corporate savings: Amount	Corporate savings: As % of GNP	Depreciation allowance: Amount	Depreciation allowance: As % of GNP
1934-36 (average)	12.9	2.1	16.3	16.7	0.3	1.8	1.2	7.4
1946	341.3	8.3	2.4	474.0	–1.1	–0.2	24.4	5.1
1947	875.1	–39.9	–4.6	1,308.7	–4.4	–0.3	56.6	4.3
1948	1,732.9	– 8.0	–0.5	2,666.1	2.3	0.1	107.7	4.0
1949	2,218.0	–43.1	–1.9	3,375.2	37.6	1.1	157.7	4.7
1950	2,756.9	340.0	11.4	3,969.7	195.7	4.9	220.2	5.5

Source: Economic Planning Agency.

Apart from possible repercussions of economic activities of the Government, the mainsprings of inflationary pressure in a free-enterprise economy are domestic private capital formation and excess of income over pavements in foreign transactions. Private capital formation and a net export surplus are normally financed primarily by private savings. In the early postwar period in Japan, gross private capital formation remained at a relatively low level. There were, moreover, no powerful inflationary forces at work in the international sector; in fact, international transactions on current account showed rather an ever-growing import surplus through 1949, tending thus to reduce inflationary pressures. Yet, as the data of table 13 indicate, throughout the entire period from 1946 up to 1952, gross private saving remained far from adequate to finance private capital formation plus the surplus in the balance of payments.

Table 13. Japan: Inflationary Pressures in the Private Sector, prewar and 1946-1956
(Percentage of gross national product)

Year	*Gross private capital formation* A	*Balance of payments* B	*Total (A+B)* C	*Gross private savings* D	*Surplus of private savings (D—C)*
1934-1936 (average)	15.6	0.6	16.2	21.6	5.4
1946	16.0	−1.2	14.8	7.5	−7.3
1947	15.2	0.5	15.7	0.9	−14.8
1948	18.5	0.8	19.3	3.8	−15.5
1949	15.8	2.2	18.0	4.5	−13.5
1950	20.8	4.4	25.2	20.9	−4.3
1951	23.1	2.9	26.0	22.7	−3.3
1952	19.8	0.1	19.9	20.9	1.0
1953	19.0	−1.3	17.7	19.1	1.4
1954	15.7	0.8	16.5	19.2	2.7
1955	16.7	1.1	17.8	21.9	4.1
1956	24.3	−1.4	22.9	15.5	−7.4

Source: Economic Planning Agency.

This explains why inflation dominated the economic scene in postwar Japan for so long. Productive capacity was unable to meet all the demands of consumers and producers, in particular an urgent consumption demand to meet bare subsistence needs (which had to be satisfied even at the expense of existing accumulation), a large backlog of pent-up consumer demand, and material reconstruction. This analysis of the inflationary process also sheds some light on the question why the early efforts to achieve stabilization did not bear their full fruit in 1949 and 1950. Even before the Korean war boom involved Japan, the objective limits to a strictly deflationary policy at that time were clear to everyone. It is also easier, against the background of these underlying inflationary forces, to understand how the boom inflicted such a distortion on the economic body of Japan.

Private savings, individual and corporate, which had initially been partly frustrated by inflation itself, rose with the progress of recovery. The relevant data indicate that by 1952 or 1953 savings had at last grown sufficiently to finance private capital formation and a moderate export surplus. It is no accident that, between 1953 and 1954, real per capita consumption as well as per capita income also regained their prewar levels (see table 11). So long as there was strong pressure from the consumer to restore that level of per capita consumption, over-all demand tended to exceed supply. It may be concluded, therefore, that by this time the productive capacity of the economic system had recovered sufficiently to meet the nation's demands on production.

Almost at the same time as real wages in manufacturing industries regained the prewar level, i.e. in 1953, the gap between the relative position of real wages and productivity disappeared (see table 14). In the reconstruction period, the inadequate supply of equipment led to continuous "overemployment" of industrial labour, with the result that wage costs per unit of output were 10-20 per cent higher than before the war. At the end of the recovery period, this abnormal situation ceased; since then, real wages have tended to lag behind the rise in productivity.

Table 14. Japan: Productivity, Real Wages and Wage Costs, 1947-1956
(1934-1936=100)

Year	*Productivity*	*Real wages*	*Wage costs per unit of output*
1947	25	28	110
1948	38	47	124
1949	49	59	122
1950	61	77	125
1951	80	84	106
1952	86	96	111
1953	103	103	100
1954	106	105	99
1955	118	110	93
1956	139	120	86

Source: Economic Planning Agency and Ministry of Labour.

The reconstruction period was characterized by upward pressure in almost all sectors of the economy. Consumption and production were driven forward on a broad front almost in these circumstances, the wave-like movements which specific time-lags between sectors normally caused in the economy were to a large extent cancelled or at least obscured to the eye. In a period of recovery, business cycles do not normally play a prominent role.

Now that the recovery period is over, however, the Japanese economy is again clearly faced with the perennial problem of a free-enterprise industrial system: that of growth and cycles. The very rapid

pace of economic development must be expected to slow down somewhat. One of the circumstances favouring the extremely rapid rate of expansion in the recovery period, in spite of the initially low rate of savings, was that the capital-output ratio also was for many years abnormally low—always under, and at most approaching, unity.[1] The rate of depreciation was also much lower after the war than before. In the postwar period, therefore, it was possible to expand national income with such speed by merely putting the existing unused and partly obsolete equipment into operation through minor repairs and modifications. This possibility must now be assumed to have been exhausted. For investment in new equipment, which is now required in order to achieve the same tempo of economic expansion, more capital will be needed. Hence, assuming stabilization of the rate of savings, the Japanese economy cannot be expected to maintain as high a rate of growth as before. The problem of growth is thus posed in an entirely new guise: that of deciding what is the optimal long-term rate of growth.

Modern industrial economies organized on a private enterprise basis are generally regarded as inevitably beset by cyclical upswings and downswings of business. It may be that an essentially dynamic economy has to pay, in the form of instability, the price for its capacity for progress. Even then, however, too wide a fluctuation may involve serious economic loss and waste. Thus, there is a strong case under private enterprise itself for trying to combine some degree of stable growth with a dynamic movement based on incentives.

Postwar short-term cycle

In postwar Japan, it is not difficult to discern certain symptoms of cyclical fluctuations of a regular type, even before the end of the recovery period. It may be worth looking more closely at the factors responsible for the movements in each phase.

"The Dodge deflation". The year 1949, in which the Japanese economy may perhaps be considered to have emerged from the immediate postwar confusion, offers a convenient point of departure. In contrast to 1948, with its remarkable advance in industrial production by 50 per cent, 1949 was a year of deflation, consciously imposed on Japan by Mr. Dodge's stabilization policy. This policy was successful in bringing the rapid inflation to a temporary halt and in stablizing prices, but the success was bought at the cost of a retardation of economic growth and an increase in unemployment. The internal components of effective demand, for example, changed in the following way (millions of yen, in 1934-1936 prices):[2]

	From 1947 to 1948	*From 1948 to 1949*
Gross domestic private capital formation	+ 626	− 683
Government expenditure on goods and services	+ 271	− 199
Private consumption	+ 498	+ 866
Total	+ 1,395	− 16

Consumption continued to increase by 10 per cent in 1949; and the export demand increased by more than 50 per cent, though at a rate lower than the previous year's increase. These two factors were mainly responsible for maintaining industrial production at a level 25 per cent higher than in 1948, in the face of the sharp curtailment of domestic private capital formation. But, at this stage of recovery, where productive capacity, and not effective demand, was the factor limiting economic growth, the drastic curtailment of investment could not be a permanent solution. The situation was ripe for a reversal of the deflationary policy when the Korean war in June 1950 provided the stimulus.

The Korean boom. In fiscal year 1950, one single factor of effective demand, exports, nearly doubled in real terms, and, when the resulting increase in investment was financed by additional central bank credit, the scene was set for the familiar process of export inflation. Prices, mainly those of producer goods, rose out of all proportion, and symptoms of bottlenecks and intersectoral imbalance emerged.[3] Yet this dislocation in the price system was caused by an external stimulus of comparatively small magnitude (in relation to demand as a whole), since special military purchases for Korea amounted to less than 4 per cent of Japan's national income in 1950. There could be no better indication of the tautness of the Japanese economy at the time.

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[1] Measured in absolute terms, the postwar capital accumulation was low throughout the period and reached the 1937 level only in 1953, in which year investment was particularly buoyant.

[2] Economic Planning Agency, *History of the Postwar Japanese Economy* (in Japanese), 1957, p.258.

[3] Movements of wholesale prices in some of the main industrial countries were as follows:

	Japan	*United States*	*United Kingdom*	*France*	*Western Germany*
1950:					
Jun.	100	100	100	100	100
Sep.	114	108	106	109	110
Dec.	123	112	114	116	116
1951:					
Mar.	146	117	122	130	127
May	152	116	125	137	126

Source: Economic Planning Agency, *ibid.* p.343.

Post-Korean adjustment and recession, 1951-1952. With the cessation of hostilities in Korea, Japan, like many other countries of the world, was suddenly forced to make a painful adjustment. In the case of that country, however, particular attention must be paid in an analysis of this phase not simply to changes in effective demand but also to effective supply, that is, gross domestic product and imports. The large increase in exports in the previous year was reflected in 1951 in an equally substantial rise (45 per cent) in the volume of imports. With higher import prices, the value of import jumped to more than double the level of 1950, with the result that the balance of trade became critically unfavourable. Since home industrial production in 1951 also rose by nearly 30 per cent, a deflationary gap could be avoided only if the increase in effective supply were offset by an equal increase in effective demand. A 40 per cent increase in public capital formation was in fact brought about, but consumption, the largest component of effective demand, remained relatively stagnant and, when finally exports failed to expand owing to the fairly high internal price level, it was clear at the beginning of 1952 that the economy was ripe for a recession or even a depression of considerable magnitude, unless some counter-measures were taken. In line with the general trend of the world economy, prices in Japan began to fall steeply early in 1952, after having zigzagged fairly far downwards during the previous year. This price movement undeniably reflected overproduction and involuntary inventory accumulation.

Boom supported by internal effective demand. This time, the anti-deflationary impetus came primarily from the government sector. During fiscal years 1952 and 1953, public finance had definitely inflationary effects, and stimulated effective demand by reducing tax rates and by increasing still further the scope of public investment and of financial assistance to the private sector. Accordingly, private demand for investment funds, especially for fixed investment in equipment, remained as much as about 25 per cent above 1951. The analysis of changes in effective demand shows that in 1952 the largest part of the increase was in consumption, and in 1953 in capital formation. However, it is not clear that consumption was actually the primary motivating factor even in 1952. In that year, savings out of individual disposable income increased appreciably, too. In terms of relative rate of increase, capital formation, public and private, was perhaps the initial force that brought about the unprecedented expansion of industrial activities (24 per cent above the previous year's level in 1953):[1]

	Changes from 1951 to 1952		*Changes from 1952 to 1953*	
	Billions of yen	*Percentage*	*Billions of yen*	*Percentage*
Consumption	+ 686.3	+ 18.2	+ 739.3	+ 16.6
Private	+ 634.7	+ 20.2	+ 652.2	+ 24.2
Government	+ 51.6	+ 8.1	+ 87.1	+ 12.7
Fixed capital formation	+ 195.4	+ 18.7	+ 299.9	+ 23.4
Private	+ 128.8	+ 19.1	+ 22.7	+ 15.2
Government	+ 66.7	+ 18.1	+ 177.2	+ 40.2
Inventories	− 219.1	− 34.3	+ 25.8	+ 6.1
TOTAL	+ 662.6	+ 12.1	+ 1,065.0	+ 17.4

The internally generated boom conditions were characterized by a remarkable degree of stability in prices, but they nevertheless contributed to the maintenance of the serious gap between the home and world price levels prevailing at the end of the Korean boom. In line with the character of this particular boom, the production increase was also mainly concentrated on domestically traded goods, leaving no room for export expansion. The consequence was serious: at the end of fiscal year 1953, Japan again faced the difficult problem of how to balance its external trade accounts. Even with the help of special dollar receipts, the current account deficit amounted to more than $300 million, and the foreign exchange holdings of the nation were dwindling rapidly. Events proved once more how narrow was the limit for an attempt at expansion on a predominantly internal basis in an export-dependent economy such as Japan's.

Adjustment by internal deflation. Lessons were quickly learned from the 1953 experience in expansionary public finance, and, in the 1954 budget, emphasis was placed on a strict balance between government receipts and expenditure. The paramount objective of the deflationary policy was to bring down the inflated home price level to a point nearer to the world price level and to re-establish the balance of payments on a sounder basis. It was not fiscal policy, however, but rather the stringent monetary and banking policy that carried the main burden in this process of adjustment. In fact, the cash transactions of the Government with the private sector had, on balance, a rather inflationary effect. On the other hand, the banking system, by restricting funds for investment, especially in fixed equipment, succeeded in bringing down wholesale prices by 4.5 per cent in 1954 and in slowing down the increase in industrial production to its lowest rate since the war. For the first time, in this period, production responded promptly to a slight change in effective demand. This testifies further to the fact that the recovery phase was almost over, and that effective demand, instead of productive capacity, was beginning to assume primary importance in determining the behaviour of the economic system.

[1] Economic Planning Agency, *ibid.*, p.444.

The balance of payments was also quickly brought into equilibrium in fiscal year 1954. It is, however, highly questionable to what extent this improvement in the balance of payments was due to the deflationary policy. In the reduction of imports, there were forces at work quite independent of the restrictive credit policy, such as lower import prices and the normal harvest. In the remarkable export increase (by 28.5 per cent in 1954), the pull by the activated world markets was perhaps the decisive factor. Supported mainly by the increase in effective export demand, the Japanese economy crossed the border into a new phase of upswing in the autumn 1955.

Export and investment boom, 1955-1956. The fiscal year 1955 was unique in Japan's postwar experience in that the improvement in the balance of payments was achieved simultaneously with a remarkable degree of internal stability—in contrast with 1950, when export expansion was quickly followed by internal inflation, and with 1954, when the external balance improved only at the price of internal deflation. The 1955 achievements indicate the extent to which production capacity had been enlarged since 1950 to allow for an expansion of output without immediate additional investment. But, under the private-enterprise system, such a large-scale increase in export demand was bound, sooner or later, to involve all other spheres of economic activity in the general upswing. This accelerated upward movement of production, investment, prices and, with a certain time-lag, consumption recalled the typical sequence of the business cycle, which has thus now become a dominant theme in the fully recovered Japanese economy.

In fiscal year 1955, exports showed a rise of 23 per cent over the previous year. Since the imports remained at almost the same level as in 1954, Japan's commodity trade came into balance for the first time since the war.[1] Investment and imports, however, quickly began to rise towards the end of the year. In the next fiscal year, while exports continued to expand at a rate of 19 per cent, capital formation in the form of fixed equipment rose by more than 80 per cent, imports by 42 per cent and industrial production by 23 per cent. One inevitable consequence was an appreciable increase in prices, another an inevitable deterioration in the nation's external balance. By the middle of 1956, the internal economic balance had become increasingly precarious. Especially after the end of 1956, the balance of payments deteriorated with such catastrophic speed that the loss of foreign exchange holdings in the first half of 1957 alone amounted to nearly $500 million, about one-third of total holdings.

Since 1955, the general experience of many industrial countries in the West has been that too high a rate of economic growth is bound to cause some trouble in the internal or external economic balance, such as specific bottlenecks, wage inflation and international deficits. Japan has proved no exception. Once again in 1957, as in 1954, Japan came up against the absolute barrier of the international balance, and was forced to go through a process of readjustment set in motion by a tight money policy (May) and the general policy of curtailing investment (June). In the spring of 1957, the boom phase could be regarded as definitely over.

Problems and prospects

What are the conclusions to be derived from this sketch of Japan's postwar development?

In the first place, even when absorbed in the struggle of postwar recovery, the Japanese economy was by no means free from the logic of the private-enterprise system. There was a high degree of fluctuation in the upward growth line, although these fluctuations were largely of very short duration and could not be identified with the typical "major cycles" in terms of modern business cycle theory. The fact that in most cases government policy did bring about upturns and downturns should not obscure the existence of short-term cycles of instability which, throughout the postwar period, created rather serious problems for an inherently vulnerable economy such as Japan's.

In the second place, there has been a gradual, but nonetheless significant, change in the general structure of the economic circular flow. Table 15 summarizes the relative importance of separate factors in the year-to-year changes in effective demand. It has been seen that, in the earlier part of the postwar period, it was invariably consumption that gave the main impetus to economic expansion. The data, however, suggest that changes in consumption have been constantly declining in importance in recent

[1] Great importance was attached to this fact because of the extremely precarious nature of Japan's postwar balance of trade. The persistent import surplus was, in the earlier period, mainly covered by U.S. aid which amounted to $2 billion up to 1950 and paid for 57 per cent of the total imports in these years. Since 1950, this compensating function has been taken over by what is called "special procurement", which has included purchases of war materials for military operations in Korea and—continuing afterwards, although scheduled to decrease—consumption by foreign armed forces personnel stationed in Japan. In recent years, an increasing proportion of the special dollar receipts has originated from so-called off-shore procurement under the U.S. foreign aid programmes, i.e. procurement in Japan of items for use in third countries. Dollar receipts on account of these "special procurements" between 1950 and 1954 were $3 billion, more than offsetting the trade deficit of $2.1 billion of these years. Since these dollar receipts are of a temporary and unstable nature, the consensus in Japan is that the economy cannot be considered truly viable so long as it relies on them. The ratio of special dollar receipts to total foreign exchange earnings has, in fact, decreased continuously, from 37 per cent in 1952 to 18 per cent in 1956.

Table 15. Japan: Components of Changes in Real Gross National Expenditure, 1946-1947 to 1955-1956 (Percentages)

Year	Total change	Private consumption	Government current expenditure	Government investment expenditure	Private equipment investment	Inventory change	Current foreign surplus
1946-47	100.0	48.3	-24.3	78.3	-5.9	10.0	-6.5
1947-48	100.0	51.8	28.1	-12.8	8.3	25.5	-0.9
1948-49	100.0	186.0	53.2	-52.2	-26.5	-79.6	19.1
1949-50	100.0	43.1	12.1	-40.3	9.4	34.8	40.9
1950-51	100.0	51.0	9.8	22.1	8.1	13.7	-4.7
1951-52	100.0	85.0	16.8	8.8	17.8	-25.7	-2.7
1952-53	100.0	90.7	6.9	34.6	21.3	-2.3	-51.2
1953-54	100.0	57.8	13.5	-3.5	7.0	-43.4	68.6
1954-55	100.0	46.7	8.4	16.8	2.1	25.0	1.0
1955-56	100.0	39.5	16.1	-16.3	68.0	31.7	-39.0

Source: National income statistics of the Economic Planning Agency.

years. From 1951 and 1952, investment, public and private, emerged as a powerful factor influencing the behaviour of the economic system. In contrast to consumption, however, investment expenditure is characterized by an especially wide range of cyclical fluctuations. This applies in particular to changes in inventories, for which an independent curve of remarkable "inventory cycles" can be plotted. In Japan, there is also a strong presumption that the cyclical movements of the trade balance bear a close relationship with fluctuations of inventories, as is the case in many advanced industrial economies in the West.

The implications of the rising influence of investment are important. There is perhaps warrant for assuming that, for some time to come, consumption will continue to keep the Japanese economy buoyant, especially if the tendency persists for consumption to regain its relative prewar position.[1] To the extent that this is true, the bias will be towards inflation; the factor limiting economic expansion will still be existing productive capacity rather than effective demand. But the recession of the elements of recovery into the background opens the way for a more normal process of economic growth in which the demand effects of investment are as important as their productivity effects (and sometimes more so). This is the fundamental reason why the problems of cyclical instability are now becoming more and more important for the Japanese economy. The phase beginning with the boom conditions of 1955-1956 appears to partake of the character of major cycles. The Japanese economy is now confronted with the old problem of business cycles on an entirely new basis.

[1] See below, p.67, table 29.

FACTOR PROPORTIONS

Economic structure and employment

A country's economic structure inevitably bears the marks of historical development, representing as it does society's attempt over a lengthy period to adapt itself to its special factor proportions and to solve the problems posed by them. This consideration is particularly relevant to Japan. The frequency of fluctuations in the period of postwar recovery and growth can be traced back to the special structure of the economy and that, in its turn, together with the narrow limits within which it operates, can best be explained by the peculiar relations between the productive factors of labour, capital and natural resources.

While prewar Japan had worked out a stable pattern combining these factors, at the end of war there was a sudden change in their proportions: capital had been destroyed, the colonies were lost and the population grew by ten million within the relatively short period of the next four years aided by the extensive repatriation of Japanese nationals. Japan was thus burdened with an aggravated imbalance between population and resources. How the economy was forced to adapt itself to these circumstances is shown by table 16. Primary industries, particularly agriculture, gained so much in relative importance in domestic output that it appeared for a moment as if the economy had been thrown back thirty years. This throwtrack, however, was only temporary. By 1955, Japan had re-established the prewar pattern of economic development.

Table 16. Japan and Other Countries: Composition of National Income, by Industrial Origin,[a] prewar and 1946-1956

(*a*) *Japan* (percentage of national income, i.e. net domestic product plus net factor income from abroad)

Year	Industries		
	Primary	*Secondary*	*Tertiary*
1934-1936 average	19.8	30.8	49.4
1946	38.8	26.3	34.9
1947	35.5	28.6	36.0
1948	31.8	30.8	37.4
1949	27.4	32.1	40.5
1950	26.0	31.8	42.3
1951	25.0	32.4	42.7
1952	23.9	31.8	44.5
1953	22.0	32.0	46.2
1954	21.7	31.4	47.4
1955	22.1	30.9	47.4
1956	18.5	33.3	48.6

(*b*) *International comparison, 1955* (percentage of net or gross domestic product)

Country	Industries		
	Primary	*Secondary*	*Tertiary*
United States	4.3	34.8	60.9
United Kingdom	4.6	48.4	47.0
Germany, western	10.4	55.1	34.5
Japan	22.0	30.7	47.3
Italy	24.0	40.6	35.4
India	43.7	19.4	36.9

Source: Data for Japan obtained from Economic Planning Agency and for others from United Nations, ***Statistics of National Income and Expenditure***, series H. No. 10 (Sales No.: 1957.XVII.4).

[a] The primary sector here (and in subsequent tables) includes agriculture, forestry and fisheries; the secondary sector includes manufacturing, mining and construction; the tertiary sector covers all others, including utilities (electricity, gas, water).

This process of adaptation is reflected in the changes that occurred in the structure of employment (set out in table 17). In the immediate postwar period, the huge surplus population had to be absorbed for the time being by the rural areas. The recent development, on the other hand, shows a drift away from agriculture even more marked than before 1940, and the percentage of the population employed in agriculture has now been reduced to a level substantially below the prewar normal. The absorptive capacity of agriculture itself seemed to reach the saturation point: there was no room for increased employment of the continually increasing rural population. Where, then, did surplus labour in the countryside find employment? Between 1940 and 1955, employment in primary and secondary industries increased by 1.9 million and 0.9 million respectively, but the largest absolute increase took place in the trade and services sector and amounted to 4.2 million —representing a truly remarkable rate of absorption. Over the last decade as a whole, Japan and the United States are probably the only countries where the tertiary sector has absorbed a number of workers equivalent to nearly 80 per cent of the net addition to the labour force. But the underlying circumstances of these two cases are quite different. If supported by a high development of secondary industries, this relative shift in favour of tertiary activities may be an indication of normal economic advance to a higher stage of development. In the case of Japan, however, the surplus population could, in fact, find no adequate outlet in manufacturing industries and had to turn to vague, relatively unproductive, types of service, which were often little more than a form of underemployment.

Table 17. Japan and Other Countries: Percentage Distribution of Employment, by Economic Sectors, 1920-1955

(*a*) *Japan*

Year	Industries		
	Primary	*Secondary*	*Tertiary*
1920	53.4	20.7	25.7
1930	49.4	20.4	30.2
1940	44.0	26.1	29.8
1947	53.4	22.3	24.3
1950	48.3	21.9	29.8
1953	45.7	22.7	31.6
1955	41.2	23.8	35.0

(*b*) *International comparison*

Country and year	Industries		
	Primary	*Secondary*	*Tertiary*
United Kingdom (1951)	5	49	46
Untied States (1950)	13	37	50
Germany, western (1954)	21	46	33
Italy (1954)	41	32	27
Japan (1955)	41	24	35
India (1951)	74	10	16

Source: Data for Japan obtained from Bureau of Statistics, Prime Minister's Office, Japanese Government; for other countries from International Labour Office, *International Labour Review* (Geneva, May 1950), pp.508-509.

An analysis of the internal structure of the manufacturing sector shows why it was not possible for manufacturing industries to absorb more labour. The relative position of that sector remained in general remarkably stable throughout the postwar period with regard to production, and hence to employment. This was largely due to the low level of investment and the capital shortage—a shortage which became the decisive factor limiting economic expansion after the end of the war. Increased output was achieved largely

by raising the rate of utilization of the existing capacity. Since part of the labour force on the payroll had also been under-utilized in those years, the employment effects of increased production were not particularly great.

In addition, in the course of the postwar transformation, the composition of the manufacturing sector in Japan revealed a marked shift to heavy or producer goods industries (see table 18). This appears to be in accordance with the general tendency of economic development. But, since the capital intensity of the industrial sector is thereby generally raised, an additional problem of adjustment is created where the basic conditions of factor proportions are as in Japan. For the increasing use of labour-saving productive processes dictated by modern technology is bound to reduce still further the labour-absorbing capacity of the manufacturing sector, with the result that the perennial pressure of surplus labour is aggravated.

Table 18. Japan: Structure of Manufacturing Industries, 1930 and 1955

(Percentages)

Industry	Value added 1930	Value added 1955	Employment 1930	Employment 1955
Consumer Goods Industries:				
Food Processing	21.6	11.4	8.8	12.5
Textiles	28.0	14.8	54.3	21.8
Wood and pulp	12.3	14.5	9.5	16.9
TOTAL	61.9	40.7	72.6	51.2
Producer Goods Industries:				
Chemicals	5.7	14.4	4.4	7.2
Metals	7.5	15.3	4.9	11.7
Machinery	19.7	18.7	10.9	18.5
TOTAL	32.9	48.4	20.2	37.4
Miscellaneous	5.2	10.9	7.2	11.4

Source: Ministry of International Trade and Industry, *Census of Manufactures.*

The historical approach to this problem in Japan was the maintenance or, inevitably, in some cases, the encouragement of small- and medium-scale industries with fewer labour-saving and more labour-using techniques of production. Today the core of the Japanese industry admittedly consists of highly efficient large-scale factories with modern equipment. These may not be particularly numerous but they employ a considerable proportion of the industrial labour force. As indicated in table 19, however, one of the basic structural characteristics of the Japanese industrial economy, in contrast with those of the industrialized West, has been and still is the relative prevalence of smaller units of production. If industrial enterprises with less than 50 employees each are defined as small-scale, 50 per cent of the gainfully employed population in manufactures in Japan will still be found in small-scale concerns, as compared with about 16 per cent in the United Kingdom or the United States.

Table 19. Japan, United State and United Kingdom: Structure of Employment, by Scale of Enterprises in Manufactures

(Percentages)

Number of employees	Japan (1955)	United States (1947)	United Kingdom (1949)
1-10			5.0
1-19	33.6	7.2	
11-19			11.3
20-49	17.0	8.7	
50-99	9.6	9.1	10.1
100-199	8.2		13.0
100-249		15.6	
200-999	17.1		32.5
250-999		26.6	
Over 1,000	14.6	32.8	28.1
TOTAL	100.0	100.0	100.0

Source: Japan: Census of Manufactures.
United States: Census of Manufactures.
United Kingdom: Census of Production.

It would seem that this is not merely a symptom of economic backwardness which can easily be eliminated by future advances. On the contrary, it would appear that, in Japan, the structural factor proportions play a dominant part in determining the relationships between modern large-scale factories on the one hand and small- and medium-size firms on the other. Immediately after the end of the war, both employment and production in the latter categories expanded relatively. Since 1950 also, small-scale industries, far from appearing as a decaying branch of industry, have displayed a remarkable capacity for matching the expansion of their bigger brothers. With regard to production, the immediate postwar shift proved to be only temporary, the old relationships being restored by around 1950. With regard to employment, however, as is shown by table 20, the relative position of large- and small-scale industries has been reversed in favour of the latter. This would suggest that there were certain forces at work tending to diminish the relative labour-absorbing power of modern large-scale enterprises.

Table 20. Japan: Postwar Changes in Relative Importance of Different Scales in Manufacturing Enterprises,[a] 1935 and 1946-1955

(Percentages)

Year	*Small-scale industries*		*Medium-scale industries*		*Large-scale industries*	
	Employment	*Production*	*Employment*	*Production*	*Employment*	*Production*
1935	36.9	25.7	20.9	20.3	42.2	54.1
1946	41.2	40.6	23.9	24.9	34.9	34.4
1947	44.9	41.5	20.0	21.5	35.1	37.1
1948	41.0	35.3	19.4	20.4	39.6	44.4
1949	39.2	27.5	19.8	19.6	41.0	53.0
1950	43.4	27.6	18.2	18.9	38.4	53.5
1951	43.5	24.8	18.3	17.8	39.2	57.3
1952	44.1	26.2	18.5	18.8	37.4	52.7
1953	43.1	26.3	19.3	20.3	37.6	53.2
1954	45.2	27.9	18.7	19.6	36.1	52.1
1955	45.7	27.4	19.8	20.1	34.5	52.4

Source: Ministry of International Trade and Industry.

[a] Small-scale enterprises mean those with 4-49 employees; medium-scale enterprises those with 50-199 employees; and large-scale enterprises those with more than 200 employees.

It is true, however, that this prevalence of small-scale industries reflects the country's backwardness in social relations. For parallel phenomena can be found in other sectors of the economy. The greatest part of the trade and services sector, for instance, is composed of very small units with less than five employees each, and it was precisely for that reason that the trade sector recently absorbed by far the greatest proportion of the new labour force. Most of these units are largely composed of self-employed small proprietors and their unpaid family members, and they require only a small amount of capital to start. The agricultural employment structure, too, as shown in table 21, is a clear indication of this backwardness. Here, in contrast with the West, where industrial development was preceded by some modernization of agriculture, the proportion of wage earners on farms is quite negligible. The unpaid labour of family members, together with that of self-employed farmers, on the contrary, constitutes the driving force of agriculture. In the economy as a whole, the relatively small proportion of modern wage and salary workers (about 38 per cent of all persons gainfully employed) is unique among industrial nations and testifies to the peculiarity of Japanese social history.

Table 21. Japan and other Industrial Countries: Structure of Employment, by Status[a]

(*a*) *Japan, 1955* (numbers in thousands)

Industry	*Employers and workers on own account*		*Salary and wage earners*		*Unpaid family workers*		*Total*	
	Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Primary	5,750	53.94	880	5.39	11,740	78.58	18,370	43.82
Secondary	1,510	14.17	7,090	43.45	990	6.63	9,590	22.88
Tertiary	3,400	31.89	8,350	51.16	2,210	14.79	13,960	33.30
TOTAL	10,660	100.00	16,320	100.00	14,940	100.00	41,920[a]	100.00

(*b*) *International comparison* (percentages)

Country and year	*Employers and self-employed workers on own account*	*Salary and wage earners*	*Unpaid family workers*	*Total*
Japan (1955)	25.08	38.34	35.08	100.00[b]
United States (1950) ...	15.95	82.11	1.85	100.00[b]
United Kingdom (1951)	7.01	90.79	0.22	100.00[b]
Germany, western (1950)	14.76	70.81	14.42	100.00[b]
Italy (1955)	24.74	55.80	16.40	100.00[b]

Source: International Labour Office, *Yearbook of Labour Statistics, 1956.*

[a] Excluding certain inadequately specified categories and the unemployed.

[b] The three categories do not add up to 100 per cent, owing to omission of certain inadequately specified categories and the umemployed.

Dichotomy of economic structure

The structure of the Japanese economy is thus far from being homogeneous. Side by side with the (in part) highly developed manufacturing industry, there remain large sectors of agriculture, wholesale and retail trade, and services which still adhere to traditional practices. And manufacturing industry itself comprises the two extremes—modern large-scale industries and backward small-scale concerns, both of which encroach on the intermediate zone. What is the reason for this "dichotomy of the economic structure", and is it developing or likely to develop in other Asian countries also, in the course of their industrialization?

In its modern industrial sector, Japan has broadly succeeded in catching up with the most advanced modern technologies. A detailed analysis shows that, in selected branches, the efficiency of Japanese industry in terms of unit input coefficients fully matches that of the Western economies, though in terms of labour inputs western Europe, and still more the United States, still lead. In recent years, for example, the labour expressed in man-hours, required to produce a ton of iron, is as follows: United States, 1.00; United Kingdom, 3.60; Japan, 4.93.[1] But labour productivity in cotton spinning in Japan, in terms of labour hours required to produce 100 pounds, compares rather favourably with that of the United Kingdom;[1] for no. 21 (type of yarn): United States, 6.59; United Kingdom, 15.99; Japan, 13.70; and for no. 45: United States, 12.02; United Kingdom, 32.02; Japan, 24.90. In fact, it is modern technology that determines the capital-labour ratio in the sector of advanced industries. With the progress of capital accumulation and the adoption of labour-saving devices, productivity of labour, and therefore wages, tend to increase out of all proportion to the remaining sectors.

If the factor markets, especially those for labour, were unified on a national scale, the rise in wages in the advanced sector would be shared to a certain degree by other sectors. The consequence would be a stream of failures of less efficient enterprises and the gradual liquidation of smaller units of the family type. This is the general process of unification that has taken place in many Western industrial economies. In the United States and the United Kingdom, for example, no appreciable differences are found in labour productivity between the still surviving small- and medium-scale businesses and the large-scale ones.

The situation is quite different in Japan, where there are differentials in productivity as great as three to one, as indicated in table 22. In some manufacturing industries the differentials are as much as 4:1. And the value productivity of labour in Japanese agriculture is generally believed to be only about half that in small-scale enterprises in the manufacturing sector. The secret of the survival of these extremely low-efficiency activities is largely the equally low level of wages, which persists as part of the whole developmental process. Since the inflexible nature of modern technology does not allow much room for greater labour absorption in the highly developed industrial sector, there is a rather strong tendency for labour to be displaced from this sector as the capital intensity is raised. Labour productivity thus tends to rise and capital productivity to fall. On the other hand, the fundamental structural imbalance between population and capital resources obliges surplus labour to seek opportunities for employment where labour-intensive techniques of production, rather than capital-intensive

[1] Study group on the industrial structure of Japan, *Problems of Japan's Industrial Structure* (in Japanese), Tokyo, 1956, pp. 313-314.

Table 22. Japan, United States and United Kingdom: Wage and Productivity Differentials in Manufacturing Industries, by Scale of Enterprises

Number of employees	*Differentials in wages*			*Differentials in value added per person*		
	Japan (1955)	*United Kingdom (1949)*	*United States (1947)*	*Japan (1955)*	*United Kingdom (1949)*	*United States (1947)*
4-9 (5-9)	39.2	—	72.8[a]	30.2	—	89.6[a]
10-19 (11-24)	45.4	83.9[a]	87.7	36.3	90.0[a]	89.0
20-49 (25-49)	52.5	83.4[a]	84.4	45.4	92.9[a]	93.3
50-99	60.4	83.7	85.9	58.9	93.8	91.2
100-199 (100-249)	69.3	84.8	86.2[a]	70.8	95.6	101.5[a]
200-499 (250-499)	83.3	85.9	88.0[a]	94.1	96.7	103.9[a]
500-999	96.4	89.3	90.3	103.7	98.1	104.9
1,000	100.0	100.0	100.0	100.0	100.0	100.0

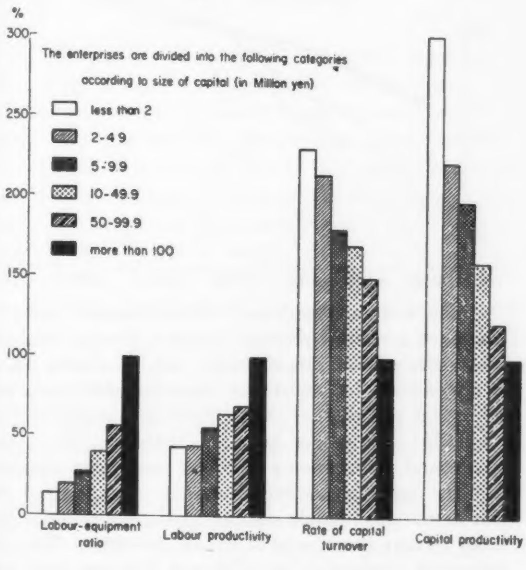
Source: The Japan Productivity Centre, based on the industrial census of individual countries.

[a] Refers to scales indicated in brackets.

techniques, are used. The capital-labour ratio is thus adjusted to the existing factor proportions through a fall in wages and incomes. The field where this adjustment takes place is in the backward sectors of production, such as agriculture and small-scale manufacturing of family and cottage types, as well as in trade and services. Thus, heterogeneous structures can co-exist side by side, so long as the factor markets are not unified.

The labour market in Japan comprises such "'non-competing groups". This is the fundamental reason why it lacks even a minimum degree of flexibility. If the demand for labour rises, wages do not rise correspondingly and the amount of unemployment is not appreciably reduced. The predominant feature of the labour market in Japan, therefore, is the widespread underemployment, sometimes called "disguised unemployment", traditionally found in the countryside but in recent times also to some extent in trade and services. The actual extent of underemployment in Japan may probably be put at between 6 and 7 million (which is more than 15 per cent of the total employed population of 40 million), if the term is interpreted to include those who work for incomes below half the average incomes in the respective occupations—which may perhaps be considered the socially tolerable minimum.[1] In these circumstances, even though the official figures of

Chart 8. Japan: Productivity Differentials, by Scale of Enterprises



[1] Study group on the industrial structure of Japan, *ibid.* pp. 385-389.

"totally unemployed"[2] amount to only less than 2 per cent of the labour force, it is highly questionable whether the concept of "full employment" in the Western sense can be applied to Japan.

An early solution of this basic structural problem seems improbable. A rapid rate of economic growth alone will not help, and the wide differences in income levels cannot be expected to disappear in a short time. We have already seen that there is some economic justification for this sort of double structure in view of the unbalanced factor proportions. As will be apparent from chart 8, the smallest-scale enterprises have undoubtedly a very unfavourable capital-labour ratio as compared with the largest concerns, a lower labour productivity and consequently a level of wages only 20 to 55 per cent as high. These disadvantages, however, are partly offset by a much higher productivity of capital and rate of capital turnover. Their higher capital productivity enables small-scale enterprises to carry the burden of their interest rates which are generally about 50 per cent higher than for the larger-scale businesses. In other words, capital markets, too, are compartmentalized in Japan, in the sense that banks usually demand a much higher price for financing smaller-scale business. Small-size operation is therefore best calculated to economize capital, a conclusion borne but by experience in other advanced industrial economies. This consideration should be kept in mind in studying an economy which, like Japan's, suffers from a chronic shortage of capital.

The drawbacks of this adjustment, however, are obvious, since it condemns a great part of the population to relatively low wages, which alone make possible the survival of low-efficiency units. In the absence of upward pressure on wages—which the labour surplus makes unlikely—there will be no incentive to increase productivity by technical devices. This situation might also affect the top-flight enterprises in the modern industrial sector by depressing the general wage level of the country and thus narrowing the domestic market for their products. All in all the traditional way of dealing with the factor proportions problem in Japan can hardly be regarded as ideal.

Nor does the rapid decline in natural rate of population growth offer an immediate remedy, since the present age structure is leading, and will continue to lead in the near future, to a much larger increase in the population of working age than in prewar

[2] The definition of "totally unemployed" in the *Labour Force Survey* is extremely strict, including only "those who did not work at all during the one-week period covered by the monthly survey but were able and willing to work and were actively seeking jobs, exclusive of those with employee status who did not work while receiving wages, or those with proprietor status who did no work but whose family members or whose employees did some work".

days.[1] The increment is expected to amount to more than one million a year between now and 1970, as compared with about 400,000 annually between 1930 and 1940. The new labour force for which employment opportunities must be provided is increasing by approximately 750,000 a year. Since postwar capital formation was, as indicated above, on a rather modest scale, the proportion of labour to capital supply has actually tended towards further imbalance.

In the last analysis, the solution must probably come from an increased accumulation of capital. This will take time. If we assume a rate of productivity increase of 2.5 per cent annually, as prewar experience suggests, a 4 per cent (prewar average) annual rate of economic growth would not be able to absorb even the annual increment to the labour force. Moreover, there are indications that the rate of productivity increase is likely to be somewhat higher in the future as a result of an accelerated flow of technological innovations.

Indeed, these innovations, if they are too effective in saving labour, would have unfavourable effects on growth. The capital-output ratio would be raised, and the capital shortage would then be intensified. One of the paradoxes of the situation is that, in under-developed economies, where capital is relatively scarce and labour abundant, the production function generally tends to take such a shape as to increase the required ratio of capital to labour. It is known that capital in these countries is often used rather uneconomically, that the efficiency of capital (including among other things the maintenance factor) is rather lower than in the more advanced economies. This would make the problem of capital shortage all the more acute, even in the absence of any technological improvements.

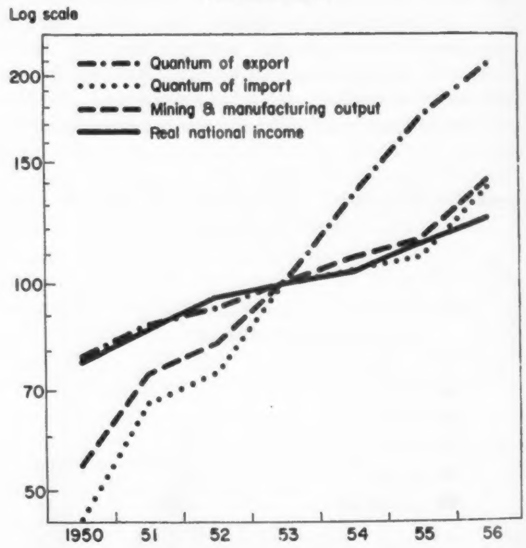
In sum, economic growth is not by itself enough to ensure balanced development and to help solve the structural problem. Certain requirements as to the nature of technological changes, de-emphasizing capital-intensive methods, must also be fulfilled. In these circumstances, there are also limits to the possibility of finding a solution for the factor proportions problem through the market mechanism alone.

FOREIGN TRADE

Role and structure of trade

Foreign trade has played a major role in the postwar economic transformation of Japan. Chart 9 gives the over-all picture of Japanese economic growth and foreign trade in 1950-1956. The clear implication of the curves is that it was the foreign trade sector which initiated and subsequently maintained the whole process of economic expansion. The relationship, however, was by no means uniform. In the earlier period, the rate of increase in imports continually exceeded that for exports, but the position was reversed from about 1953 on, when the main expansion was in exports. This trend was masked from about 1955 because, in business cycles, imports tend to increase faster than exports in upswings, but there were nonetheless definite structural changes in the character of the growth process. These changes bear out the proposition that 1953 marked the approximate end of the stage of recovery from the postwar economic chaos. Up till then, the economy had been supported, above all, by the increase in imports which constitute an important part of effective supply. Once the recovery period was over, the growth of exports as a factor of effective demand became the main propellent of economic expansion.

Chart 9. Japan: Economic Development and Foreign Trade Structure, 1950-1956
(1953=100)



For a country with such limited natural resources and such a narrow domestic market, foreign trade is, of course, of vital importance. All, or almost all, of a number of important raw materials and fuels and about 20 per cent of staple food are imported (see table 23). It is not possible, therefore, for Japan to expand its economy without increasing imports. But the most important structural change since the war is the appreciable decline in the scale of foreign trade relative to national economic activities. Whereas industrial production in 1956 was 230 per cent, and real national income 150 per cent, of prewar, exports were still only 86 per cent and imports 114 per cent.

[1] As a result among other things of the various family planning measures current in Japan, the rate of increase in the working population is expected to start to decline in about ten years time. Other things being equal, therefore, the employment problem is expected to be especially acute only over the next decade or so.

Table 23. Japan: Degree of Dependence on Imports of Food and Raw Materials, Prewar and Postwar Years

(Percentage)[a]

Item	*1934-1936 average*	*1952*	*1954*	*1956*
Food:				
Rice	19	10	14	7
Wheat	23	55	61	62
Barley	1	44	38	45
Sugar	97	95	95	96
Soya beans	69	26	57	61
Industrial raw materials:				
Coal	11	7	7	8
(Coking coal)	—	30	28	27
Crude oil	94	98	95	97
Iron ore	93	98	81	81
Bauxite	—	100	100	100
Salt	65	77	80	78
Phosphate rock	100	100	100	100
Rubber	100	100	100	100
Raw cotton	100	100	100	100
Raw wool	100	100	100	100
Rayon pulp	81	21	27	24
Potassium compounds	100	100	100	100

Source: Economic Planning Agency; Ministry of International Trade and Industry.

[a] Ratio between the quantity imported and the total quantity supplied (i.e. home production plus import).

This may be interpreted as a sign that Japan's foreign trade has still not regained its "normal" position. Though the shares in world trade of most countries other than the centrally planned economies seem by now to have been established on a stable basis which is not very dissimilar to prewar, Japan's foreign trade has not yet regained its relative position of the prewar years.[1] Its exports in recent years have, it is true, expanded at a rate much higher than the world's exports,[2] but that is partly because of the rather later recovery of its capacity to export. This spectacular rate of export expansion may possibly be maintained for some time but, now that the postwar recovery is complete, exports in some important branches are visibly slowing down to the pace of world trade as a whole. Competitive factors are clearly going to dominate Japan's trade to an increasing extent.

It is highly doubtful whether the relative scale of foreign trade will come to rest at the old level. First and foremost, significant structual changes have lowered the probable ratio of imports to national income. During the period 1934-1936, according to a recent study of the Economic Planning Agency, that ratio in real terms still stood at over 25 per cent, though the trend was apparently downwards from the peak of 1924 (see chart 10), presumably because of the increasing emphasis on heavy industries at the expense of the more import-dependent textile industries. In the postwar period, however, the rates have been and are much lower. Textile raw materials, which headed the list in the past, have decreased relatively in importance, whereas imports of metal, minerals and fuels have increased appreciably (see table 24). The dgeree of dependence on imports differs greatly from industry to industry. In recent years, for example, one unit of textile exports required imported raw materials amounting to 26-36 per cent of its value, whereas the ratio would be from 4 to 13 per cent for chemical products, and for machinery from 4 to 10 per cent.[3] There is therefore a natural tendency for the shift in the Japanese industrial structure in favour of heavy and chemical industries to lower the import ratio for the national economy as a whole. In the second place, technological progress is operating in the same direction by reducing the unit input coefficients of raw materials. As against these considerations, a higher stage of industrialization presupposes a more diversified structure of demand which will probably entail increased imports of manufactured goods, such as machinery and consumers' durables. Moreover, the inability of domestic resources to expand sufficiently is likely to necessitate increased imports of fuels and essential raw materials; i.e., with a given industrial structure, rising levels of production tend to lower the percentage of total requirements that can be met from domestic sources. These factors, which underlie western Europe's greatly increased degree of trade dependence, are already beginning to affect Japan, too.

[1] In 1938, Japan was fourth among the major trading nations, being surpassed by only the United States, the United Kingdom and Germany. It was responsible for 5.4 per cent of the world's exports and 4.6 per cent of the world's imports. In 1956, it ranked only eighth, with 2.7 per cent of world xeports and 3.3 per cent of world imports.

[2] As compared with the previous year, Japan's and the world's exports increased by the following percentages:

	Japan's exports	*World's exports*
1954	28	4
1955	23	9
1956	24	11

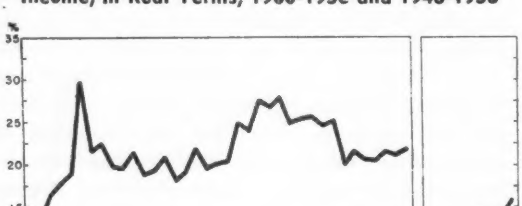
[3] The concept of "net foreign exchange earning ratio" referred to in the *Economic Survey of Asia and the Far East, 1955*, p.131, represents an approach to the same problem from the inverse direction.

Table 24. Japan: Foreign Trade by Commodity Groups: Development and Structure, Prewar and Postwar Years

Item	1934-1936 average		1953[a]		1954[a]		1955[a]		1956[a]	
	Quantity index	Percentage of total	Quantity index	Percentage of total	Quantity index	Percentage of total	Quantity index	Percentage of total	Quantity index	Percentage of total
(a) Imports										
Food and beverages	100	22	94.3	27	112.3	25	111.4	25	101.2	15
Textile raw materials	100	31	69.5	27	61.4	28	62.1	24	87.6	24
Metals and minerals	100	7	69.9	10	79.7	10	81.5	12	147.6	19
Mineral fuels	100	7	150.4	11	150.5	12	160.1	12	203.2	13
Animal and vegetable raw materials	100	13	77.3	10	77.3	11	84.7	13	103.4	10
Oil and fat	100		68.3		77.9		122.1		112.0	
Chemicals	100	4	112.5	3	104.8	3	164.2	5	227.7	5
Machinery	100	5	96.2	7	108.6	7	89.2	5	121.0	5
Miscellaneous	100	13	18.3	5	18.0	5	20.8	5	40.2	9
TOTAL	100	100	82.7	100	85.7	100	90.1	100	114.4	100
(b) Exports										
Food and beverages	100	9	42.5	10	39.5	8	44.7	7	57.8	7
Textiles and textile products	100	56	28.4	39	42.3	38	50.9	38	58.0	34
Metal and metal products	100	7	85.6	14	127.1	17	193.8	18	141.1	13
Non-metallic minerals	100	3	50.0	5	54.9	4	68.7	4	87.9	5
Chemicals and chemical products	100	4	53.6	4	69.5	5	86.9	5	110.7	4
Machinery	100	6	98.2	14	109.5	13	154.4	13	285.1	21
Miscellaneous	100	15	29.4	15	38.3	15	54.5	15	70.4	16
TOTAL	100	100	41.2	100	54.9	100	71.6	100	85.6	100

Source: Customs Statistics of the Ministry of Finance.
[a] Fiscal year.

Chart 10. Japan: Ratio of Imports to National Income, in Real Terms, 1900-1936 and 1948-1956



Thus, though the ratio of imports to the scale of general economic activities may possibly always remain far short of the prewar figure, it will probably tend to increase still further, as Japan's trade position conforms more and more to its normal pattern and makes greater use of its comparative advantages. This tendency deserves special attention, because, with any given ratio of exports to national income, it indicates the required rate of export growth.

Table 25 points up the shift of emphasis in imports from food and raw material for consumer goods (light industries) to raw materials primarily for the heavy and chemical industries. The underlying evolution of Japan's industrial structure is also reflected in the structural shift in exports, where there is a definite tendency for finished manufactures, particularly capital goods, to grow at the expense of semi-manufactured goods. In 1956, the products of the metal, machinery and chemical industries combined formed 38 per cent of total exports, outstripping textiles (34 per cent) which had been in the lead in the past.

It may be observed that this represents a rather belated response to shifts in world demand. The share of textile goods in world trade has been declining continuously from the begininng of the century, while that of machinery and vehicles has expanded and metals and chemical products have been fairly stable. Before the war, it was not in the expanding group of commodities that Japan's exports registered the largest relative gains. In the postwar period, the shift in the composition of world trade appears to have gained in momentum, and one of the reasons why Japan's exports are lagging is that

Table 25. Japan: Structure of Foreign Trade, by Industry Groups and Stages of Processing, 1951 and 1956

(Percentages)

Stage of Processing	Total		Goods related to heavy and chemical industries		Goods related to light industries	
	1951	1956	1951	1956	1951	1956
(a) Imports						
Crude raw materials	84.3	77.8	9.8	17.2	45.5	34.7
Semi-finished manufactures	8.4	11.4	3.3	5.6	2.3	2.1
Finished manufactures	7.2	10.7	4.0	9.1	2.5	1.4
Total	100.0	100.0	17.1	31.9	50.3	38.2
(b) Exports						
Crude raw materials	5.0	5.7	0.3	1.3	2.3	2.4
Semi-finished manufactures	30.3	21.2	28.4	19.9	0.3	0.3
Finished manufactures	62.7	72.8	9.1	22.2	51.8	45.9
Total	100.0	100.0	37.8	43.4	56.2	48.9

Note: Owing to the omission of unspecified items, figures do not add up to the totals given in the table.

Source: Economic Planning Agency: *Economic Survey of Japan, 1956-57*, pp. 50 and 54.

her export structure, in which textile products play so large a part, is not well adapted to these changes in demand. In fact, the proportion of heavy industrial and chemical products, machinery in particular, is still much smaller in Japan's exports than in those of the advanced industrial economies of the West, and major adjustments appear to be required in order to impart to the Japanese export trade the requisite minimum of growth-elasticity.

Geographical distribution of trade

The changes in the geographical distribution of Japan's foreign trade since the war have been so drastic that, here again, it has not been easy to make the necessary adjustments. Before the war, more than 40 per cent of its exports went to Korea, Formosa and China — neighbouring countries. Conversely, Japan relied heavily on China as an important source of raw materials (see table 26). For example, 70 per cent of its soya beans and 40 per cent of its iron ore used to come from China. Today, trade with mainland China has dwindled to a trickle, and Japan buys 75 per cent of its imported coal and 90 per cent of its imported soya beans from the United States. But Japan's inflated dependence on North America for imports is not nearly matched by its exports to that area. Deficits with the United States were considerable before the war, but in the postwar period they have assumed such dimensions that the problem of Japan's over-all balance of trade has become acute, especially since owing to problems of availability and price, it is only within narrow limits that imports can be switched from the United States to other area. According to one estimate, even if the utmost efforts were made to divert Japanese imports from the dollar area, the dollar gap would still be at least $100 million annually—a serious matter in the absence of currency convertibility.[1]

In the absence of full convertibility, Japan's foreign trade, like that of many other countries, has been greatly hampered by the reduced extent of bilateral balancing of trade with individual trading partner. Import and export markets are not geared to each other. There is not enough to buy from major export markets such as Southeast Asia, and not enough to sell to large sources of imports such as the United States, Canada and Australia. The lack of bilateral balancing is likely to complicate Japan's trading position with most Asian countries, especially as the region's prewar tendency to run an export surplus has been reversed since the war. In such circumstances, Japan cannot increase its exports to the Asian area without at the same time stepping up its imports from it. Though the tendency is at present towards multilateralism, closer bilateral balancing will remain an important problem for Japan's foreign trade for some time to come.

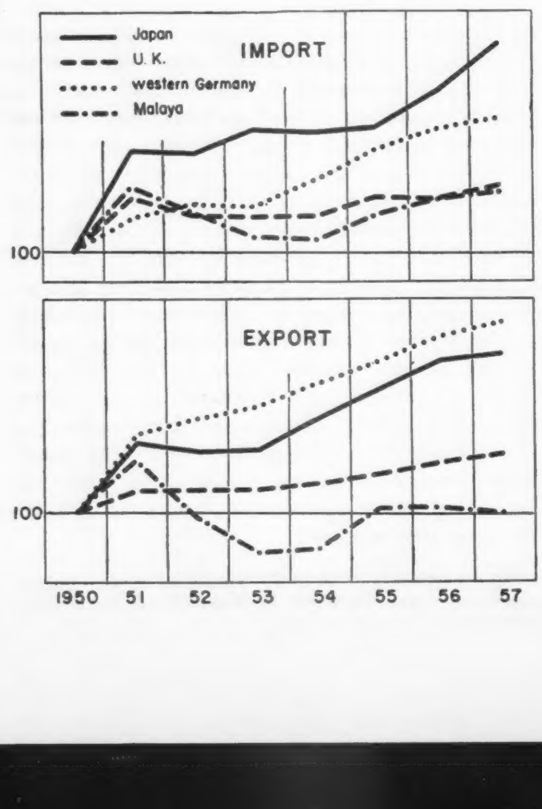
[1] Hiroshi Kitamura, "Long-run projection of the Japanese economy—a critical evaluation", in *Kyklos* (Basel, Switzerland), June 1956.

Table 26. Japan: Area Distribution of Foreign Trade, Prewar and 1952-1956
(Percentages)

Area	*1934-1936 (average)*	*1952*	*1953*	*1954*	*1955*	*1956*
	(a) *Exports*					
Asia	64	51	51	49	42	41
Neighbouring countries[a]	43	13	17	12	8	8
China (mainland)	18	—	—	1	1	3
Southeast Asia	18	36	30	32	28	29
North America	17	21	23	21	27	26
United States	16	18	18	17	22	22
Europe	8	14	9	9	10	10
South America	2	3	5	10	7	5
Africa	6	7	10	8	10	16
Oceania	3	4	2	3	4	2
	(b) *Imports*					
Asia	53	31	33	31	37	32
Neighbouring countries[a]	37	5	5	5	4	4
China (mainland)	10	1	1	2	3	3
Southeast Asia	16	21	22	19	21	19
North America	25	50	42	46	41	44
United States	24	38	31	35	31	33
Europe	10	7	8	8	7	7
South America	2	2	5	7	4	4
Africa	3	3	2	2	3	3
Oceania	7	8	8	6	8	9

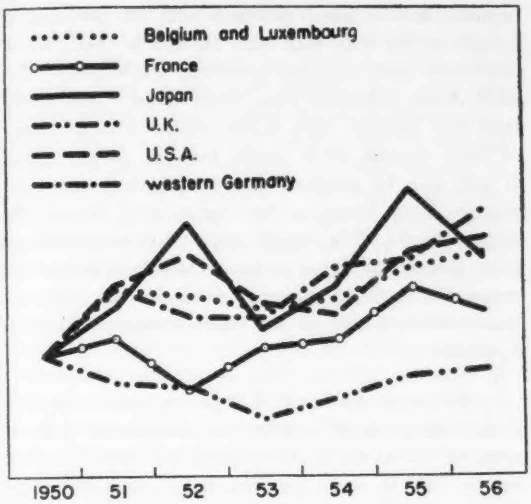
Source: Customs Statistics of the Ministry of Finance.
[a] China (Taiwan and mainland) and Korea.

Chart 11. Selected Countries: Fluctuations in Imports and Exports, 1950-1957
(1953=100) (semi-log. scale)



In comparison with prewar years, there is a greater degree of instability in Japan's postwar trade. This is partly attributable to the fragmentation of Japan's postwar markets, partly to the country's dependence on a world market which is increasingly oriented in the direction of regionalism and to its lack of any organized markets of its own. Chart 11 demonstrates how much wider the fluctuations in exports and imports have been for Japan than for other industrial trading nations. But Malaya and Singapore show far greater fluctuations still. In fact, the instability in Japan's exports is partly due to the extreme oscillations in the very markets in Southeast Asia on which Japan is obliged more and more to rely. In present circumstances, consumer goods, and consequently Japan as the most important supplier, are usually hardest hit by fluctuations in the demand from these countries. In the wider perspective of the world market as a whole, the weakness of Japan's trading position is again reflected in the fact that when world demand exceeds normal supply, Japanese exports, particularly those of heavy industrial goods, expand so that the country benefits, as it were, as a "marginal supplier" whereas the subsequent reduction in demand tends to hit this marginal supply first. The especially heavy fluctuations in Japan's iron and steel exports in recent years would appear to support this interpretation. (See chart 12).

Chart 12. Selected Countries: Trend of Iron and Steel Exports, 1950-1956
(1950=100) (semi-log. scale)



Assessment of future prospects in individual Japanese markets is facilitated by analysing trade relationships with the aid of the concept of "intensity of trade".[1] Table 27 indicates that in the postwar period Japan's trade relations increased in intensity in such areas as Asia and South America. The relationships with Asia have become very close indeed, but the recent decreasing tendency of the export intensity coefficients gives cause for concern. At the other extreme, closer trade connexions with Europe are unlikely, mainly owing to the competitive character of economic structures and to geographical distance. Between these two groups come the other four continents, with which Japan's trade intensity coefficients, on the export side at least, are near unity. Export connexions with North America and Oceania are now less close than in prewar days, but trade has shown a more favourable trend with South America. In short, geographical proximity and complementary economic structures mark out Southeast Asia as the most natural and promising outlet for Japanese manufactures. From a strictly economic point of view, the same would, of course, apply to continental China. But, should non-economic factors prevent the development of trade with mainland China, the need for Southeast Asian trade to fill the gap will be specially acute.

Trade with Asia

What, then, are the prospects of Japan's making good in other parts of Asia the losses of trade with China, or of reducing its extremely high degree of dependence on the United States as a source of imports and thus narrowing the dollar gap?

One encouraging sign has been the recent increase in the importance of Japan as a market for most of the economies of the region. While an average of 4 per cent of Southeast Asia's exports was sold to Japan in 1938, that country has managed in recent years to absorb nearly three times as large a percentage. But, while the trade between Japan and Asian countries has now gained in importance for both sides as compared with prewar years, this increase

[1] The intensity coefficinet of Japan's export trade with Asia, for instance, represents:

$$\frac{\text{Japan's exports to Asia}}{\text{Japan's total exports}} \div \frac{\text{Asia's imports}}{\text{World's imports}}$$

The analogous formula for imports is:

$$\frac{\text{Japan's imports from Asia}}{\text{Japan's total imports}} \div \frac{\text{Asia's exports}}{\text{World's exports}}$$

Thus, taking the case of exports, when Japan's exports to Asia are proportional to Asia's share in total world imports, the coefficient will be unity. When Japan's exports to Asia are higher than the figure corresponding to the relative position of Asia as importer, the coefficient will be more than unity, indicating that the trade relations are closer than average, and conversely.

Table 27. Japan: Postwar Changes in Trade Intensity, by Areas, 1935, 1951 and 1955

Year	*Asia*	*South America*	*Africa*	*North America*	*Oceania*	*Europe*
			Export trade intensity coefficients			
1935	3.78	0.29	1.66	1.16	1.59	0.18
1951	8.00	0.93	0.77	0.56	1.02	0.27
1955	5.08	1.51	0.90	0.96	1.08	0.18
			Import trade intensity coefficients			
1935	1.55	0.61	1.14	1.53	1.16	0.26
1951	4.92	3.18	0.82	1.25	2.56	0.24
1955	4.92	2.08	1.51	1.21	3.36	0.16

Source: Market Analysis Committee, Japan Productivity Centre, *World Economic Trend and Development of Japan's Foreign Trade*, 1957 (in Japanese), pp. 165-166.

has not offset the loss of Japan's prewar trade with Korea, Formosa, and China. In fact, Asia now plays a less important role in Japanese foreign trade than before the war. Since trade in the ECAFE region has been comparatively stagnant, the relative importance of Asian countries other than China (mainland and Taiwan) and Korea (northern and southern) in both Japan's exports and imports has recently failed to increase and has even tended to decline. The lack of purchasing power, the instability of prices of primary products and the (as yet) slow tempo of economic development are major limitations to the expansion of exports from Japan to these areas. Unless development raises their incomes appreciably and greater stability is achieved in their export earnings, the future of Japan's Asian trade is far from assured.

Its exports to Asian countries will, of course, be determined not only by the income levels there, but also by the extent to which demand is directed towards Japanese manufactures. The ECAFE region is a far more important market for Japan than for other industrial nations. In 1956, the region absorbed 34.9 per cent of Japan's total exports, whereas the comparable figures were 12.7 per cent for the United Kingdom, 7.3 per cent for the United States, 6.6 per cent for western Germany, and 4.4 per cent for France. In terms of total imports of the region, on the other hand, the relative position of Japan as a supplier is much less important. It ranked only third in 1956, supplying 10.5 per cent of the total imports of the rest of the region, and came below the United States (17.6 per cent) and the United Kingdom (14.3 per cent).

There is no doubt that, as economic development plans materialize, the increasing demand in this region will continue to be channelled towards imports of capital goods. As has already been noted, however, the structure of Japan's exports had hardly been adapted to these new requirements. This is shown by an analysis of exports of Asia, by commodity groups, of four industrial countries — the United States, the United Kingdom, western Germany and Japan. While Japan has the lion's share in textile products, with 60 per cent of the four countries' exports, and in metal products with 35 per cent, it brings up the rear with only 10 and 17 per cent in machinery and chemical products, respectively. Yet most Asian countries other than China (both mainland and Taiwan) and Korea receive a larger share of their imports from Japan than in prewar years. It may also be assumed that the physical volume of exports from Japan to the region now exceeds the prewar level. This would imply that an additional large increase in Japan's exports to this region would entail far-reaching changes, both in the Japanese trade structure and in the Asian economic scene as a whole.

The recent tendency of Japanese trade with Asia to develop an export surplus holds dangers of a future reaction, unless the import gaps of the Asian countries can be filled by some financial means, such as foreign investment. This problem is bound to become increasingly important. The very existence of a pronounced imbalance in this commodity trade suggests a possibility of, and a need for, foreign investment in this region unless a multilateral solution is found by an Asian export surplus to, say, the dollar area. In the case of Japan, there are the additional complications of reparations payments. Economically, a reparations transfer may be regarded as having effects similar to investment on the national economies concerned, since it represents a current foreign surplus, though it differs in not bearing interest or requiring repayment. It is now possible to begin to visualize the probable scale of reparations payments and investments from Japan. On 20 January 1958, an agreement in Japanese reparations to Indonesia, the last of the three principal recipients, was signed in Djakarta. If the comparatively minor reparations payments to southern Viet-Nam (on which negotiations are still going on) are disregarded, the over-all reparations picture is as follows (in millions of United States dollars):

	Burma		*Indonesia*		*Philipines*		*Reparations*	
	Total	*Annual*	*Total*	*Annual*	*Total*	*Annual*	*Total*	*Annual*
Goods and services ..	200	20	225[a]	20	550	25[b]	975	65
Loans	50	5	400	20	250	12	700	37
TOTAL	250	25	625	40	800	37	1,675	102

[a] In addition, Japan agreed to cancel its claims on the accumulated trade debts of Indonesia amounting to $174.5 million.

[b] First ten years; $30 million annually thereafter.

The annual payments envisaged, including loans, would thus amount to $100 million, that is, about 0.5 per cent of Japan's current national income, and about 3 per cent of its domestic capital formation. Beyond this amount, how much more is Japan likely to invest in the near future in Asian countries other than the three recipients? Before the war, the Japanese economy had reached the stage of economic development in which about 0.6 per cent of national income was annually invested in Asia, mainly in China, although it remained a net capital importer on balance. Its capacity for foreign investment may be assumed to be still of the same order of magnitude, provided rather similar levels of trade are re-established. Despite the accentuated capital shortage at home, in fact, the Japanese economy has since 1950 been running an annual foreign surplus on current account, corresponding to between one and two per cent of its gross national product. However, an additional large Japanese foreign investment beyond and above the reparations payments would impose a strain on its economy.

For the recipient countries, reparations will to some extent counter the inflationary pressure caused by the national efforts to foster economic development without cutting down standards of living. The reparations payments, which are expected to be mainly in the form of capital goods, are roughly equivalent to from one-fourth to one-half of annual imports of capital goods in the three main receiving countries. While imports of capital goods amount to 26 to 35 per cent of their total imports, they are now getting a relatively small share of their total imports from Japan.[1] In terms of Japan's exports to these countries, reparations transfer would mean an increase of 100 per cent to Burma, of 75 per cent to the Philippines and of 50 per cent to Indonesia. An export increase of this order would be quite feasible, and, in view of the rapidly growing demand for capital goods, absorption by the recipient economies would not seem to raise any special problem.

On the other hand, since Japan is not a large supplier of capital goods to the region, and since the recipient countries are suffering from imbalance in international payments, the Japanese reparations payments in capital goods might have to be substituted for present capital goods imported from other sources. Moreover, if total investment were substantially accelerated, a secondary increase in demand for consumer goods imports might aggravate the already existing pressure on the balance of payments of these countries. If the reparations payments represent capital goods imports on a greater scale than at present, the additional Japanese capital goods would still have to compete with those of other world suppliers as to both price and quality—factors which have proved a formidable barrier to the expansion of Japan's capital goods exports since the end of the war. There is thus no automatic guarantee that the reparations payments in themselves will immediately generate an increased stream of trade between Japan and Asian countries.

[1] The figures for 1956 are 8 per cent for Burma, 13 per cent for the Philippines and 33 per cent for Indonesia.

More important effects can, however, be expected from the reparations payments and from investments when the longer view is taken of economic development of Asia. The very process of development is partly based on expansion of trade which has at present become one of the most pressing items on the economic agenda of the ECAFE region. Conversely, the problem of Asian trade both within and outside the region can only be solved in the broad context of economic development. For Japan, the connexion between economic growth and enlarged intra-regional trade appears particularly close.

THE SEARCH FOR BALANCED GROWTH

Programmiing in a free enterprise economy

The general view in present-day Japan is that, despite the instability experienced since the war, the efficiency of the private enterprise market economy is not really in question. On the other hand, it is widely felt that any limits to the capacity of the market mechanism to ensure smooth development should be removed or modified by economic policy and other government intervention. Basic problems of a structural nature, notably the apparent unsuitability of the existing factor proportions in relation to modern technology, and certain fixed technological relationships between input and output of individual industries, are among the phenomena tending to create critical bottlenecks and inter-industry imbalances, thus contributing to market instability in a period of rapid growth or upswing. There is also a growing interest in social welfare, linked with the view that the competitive mechanism of the market economy does not work very adequately in such spheres as conservation of resources, or equitable distribution of income.

Considerations such as these have led to the conclusion, in Japan, that there is room for economic planning or programming even in a free-enterprise market economy. But planning has quite different meanings in different institutional frameworks. The view that planning necessarily involves setting up specific objectives and quantitative targets (the realization of which must be regarded as the responsibility of the political authorities) is not shared by a society which, like Japan's, wishes to leave individuals and private business free to make their

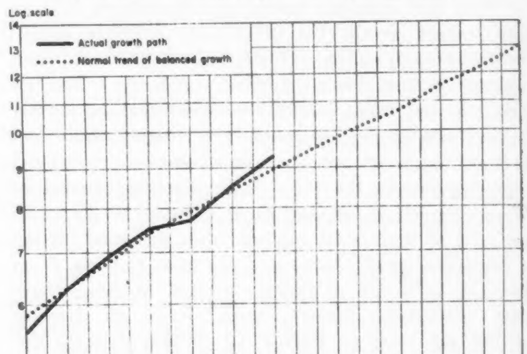
own decisions. In a private-enterprise system, the means of influencing the behaviour of the economy is in principle limited almost wholly to indirect controls, such as those exercised through public finance, monetary policy or intervention in foreign exchange markets. And, since the Government is not responsible for the realization of an economic plan of this kind, the relationships between objectives and targets, on the one hand, and the means of achieving them, on the other, are also not specified.

Thus, programming may occur in a free-enterprise economy—based indeed on highly elaborate statistical computations—aiming at setting up goals which can be used as guides or yardsticks in the formulation of policies, both public and private. These goals, however, will inevitably be in the nature of economic perspectives, rather than of an integrated system of objectives, targets and the means of achieving them. If, for instance, the avoidance of excessive fluctuations is a generally accepted objective, and a medium—or long-term projection of the path of balanced growth is postulated, private consumers and producers may take this as a guide for their current decisions and the Government itself may be enabled to adapt economic policy to the requirements of smooth development. There may always emerge diverging movements upwards or downwards, from the very nature of the market economy, but the Government's economic policy or annual plans may try to counteract them within the limits of the free-enterprise system. This is, in fact, the particular meaning which is attached to programming in Japan.

Yet programming in Japan is not a simple matter of economic projections, since the problems are of such a nature that they cannot be solved by the simple growth or extension of prevailing tendencies but ultimately call for deliberate policy decisions aimed at bringing about structual changes. In this respect, programming in Japan differs essentially from economic projections in most Western countries and must definitely offer a kind of blueprint for economic policy. There is certainly no question of simply extrapolating the past trend into the future, leaving structural disequilibria uncorrected. That means that there must be a generous dose of purposeful planning even in the early stages of working out economic models for the future.

In contrast to the preceding Japanese plan (fiscal years 1956 to 1960, adopted on 23 December, 1955), the key word of the new plan (fiscal years 1958 to 1962) is balanced growth. The presumable path of more or less smooth equilibrium growth of the Japanese economy for the coming five years is shown in chart 13. On the basis of this projection, the over-all picture of the economy in 1962 would look as in table 28. The chart clearly shows that, over the postwar fluctuations, the Japanese economy has recently advanced much too fast to secure economic balance. If the future equilibrium path is to be drawn, the actual state of 1955 and 1956 must first be reduced to the normal position on the trend line. From this hypothetical basis, the Japanese economy is postulated to grow at an annual rate of 6.5 per cent—an impressive speed, though much lower than that of recent years. This would mean that the projected annual rate of growth during the coming five years will be 5.8 per cent from the actual level of 1956. To what extent can Japan be expected to achieve such a development? The difficulties to be overcome are formidable and the case of Japan aptly illustrates the problems of equilibrium growth of a free enterprise industrial economy exposed to major instability factors both at home and abroad. This being so, the process of programming employed itself merits examination.

Chart 13. Japan: Actual Economic Growth and Projected Trend of Balanced Growth, 1950-1962
(Thousand billion yen at 1956 prices)



Econometric model of equilibrium growth

The first condition for short-term equilibrium is, of course, that planned or desired new investment should be offset by real savings of the community. Smooth growth, however, also presupposes that the economy is sufficiently flexible to ensure both that the structure of output can be adjusted to the changing structure of demand, and that the money and credit supply can be adjusted to the needs of a growing economy. A further implication of equilibrium growth in an open eonomy is that the balance of international payments should remain more or less in the neighbourhood of equilibrium.

If the problems of money and credit supply which must be well adjusted to requirements are left aside, the main considerations in the minds of the Japanese planners were the balance between investment and savings, between supply and demand of labour, and

Table 28. Japan: Main Economic Indicators in the New Five-Year Plan

(At 1956 prices)

Category	*1956*		*1962*	*Ratio of 1962 projected to 1956 actual (percentage)*		*Ratio of 1962 projected to 1956 normal (percentage)*	
	actual	*normal*	*projected*	*total*	*annual*	*total*	*annual*
Gross national product (billion yen) ..	9,288	8.940	13,044	140.4	105.8	145.9	106.5
National income (billion yen)	7,690	7,384	10,774	140.2	105.8	145.9	106.5
Primary sector (billion yen)	1,424	1,419	1,694	118.9	102.9	119.4	103.0
Secondary sector (billion yen)	3,264	3,102	4,717	144.5	106.3	152.1	107.2
Tertiary sector (billion yen)	3,030	2,893	4,400	145.2	106.4	152.1	107.2
Expenditures:							
Private consumption (billion yen) ..	5,416		7,826	144.5	106.3		
Gross capital formation (billion yen).	2,938		3,718	126.5	104.0		
Population (million)	90.3		94.6	104.8	100.8		
Population of working age[a] (million)..	53.3		59.6	111.9	101.9		
Employment (million)	17.9		22.9	127.9	104.2		
Consumption per capita (thousand yen)	60.0		82.7	138.0	105.5		
Balance of payments:							
Receipts (million dollars)	3,337		5,080	152.2	107.3		
Exports (foreign exchange receipts (million dollars)	2,495		4,422	177.2	110.0		
Exports (customs clearance) (million dollars)	2,598		4,730	182.1	110.5		
Payments (million dollars)	3,566		4,930	138.3	105.6		
Imports (foreign exchange payments) (million dollars)	3,050		4,230	138.7	105.6		
Imports (customs clearance) (million dollars)	3,603		4,840	134.3	105.0		

[a] Of the age group of 15-59.

the balance of international payments. To see whether these balances were being maintained in the economic projections, a study was made of the internal consistency of the projected economic variables, and a macro-economic model of growth was set up for this purpose. In view of the fact, however, that, in the case of Japan, the specific patterns of production and distribution are more important than the aggregate economic quantities, the model was modified so as to start from the sectoral rates of growth. The leading role was given to the secondary, particularly manufacturing, industries. The trend of primary production was simply extrapolated, and the growth rate of the tertiary sector was derived from the correlation with national income and the remaining two sectors' output. A series of composite aggregate rates of economic growth was thus obtained.

On the expenditure side, personal consumption and total savings were obtained from their linear correlation with gross national product (or gross national expenditure) derived in this manner. To estimate investment requirements in the target year 1962, use was made of the concept of the sectoral incremental capital-output ratio, which was assumed to differ from sector to sector. The investment requirements calculated on this somewhat problematic procedure were then set side by side with the savings available. Estimates of future demand for labour did not give rise to serious problem. Correlation with sectoral national income produced was the basis from which the sectoral demands for labour in 1962 were derived. In the international sector, finally, import requirements in four major commodity groups—food and beverages, raw materials, finished producer goods, and finished consumer goods—were estimated separately from their past correlations with relevant variables. It was found, however, that, as the rate of growth becomes higher, the degree of dependence on imports increases even faster. It was then easy to estimate the amount of exports required to pay for these imports, given the conditions of receipts and payments for other items in the balance of payments. In all these procedures, however, the reliability of projections was greatly hampered by the fact that past trends hardly indicated stable relationships between the economic variables involved.

A series of three or four rates of economic growth was assumed and investigated carefully as to macroeconomic compatibility with regard to the three aspects of economic balance. Too low a rate of growth would be powerless to solve a severe unemployment or underemployment problem, but too high a rate, while certainly contributing most to improve the employment situation, would bring about inflationary

pressures at home and endanger the international balance of payments. It was, in fact, found that an annual growth rate of the order of 4 per cent (the average prewar rate) would result in an excess of savings, but that a "medium" rate of growth, say, a little over 7 per cent, would lead to an excess of investment over savings and consequently an excess of imports over exports. Slightly lower rates of growth than this, however, would not be sufficient to absorb the new labour force coming on to the labour market, much less improve the existing employment situation.

Here is the fundamental dilemma faced by planners of the Japanese economy. As the preceding analysis indicates, underemployment is not simply a result of lack of effective demand. Effective demand itself tends to outstrip capacity output, and, so long as the capital shortage limits productive capacity, international imbalance is apt to co-exist with extensive underemployment at home. An attempt to cure one evil inevitably intensifies the other. To be on the safe side with respect to the international balance would aggravate the already strained situation in the employment market. On the other hand, from the Government's point of view, there was little sense in visualizing a plan entailing a further deterioration in the employment balance. This conflict between an export ceiling as a barrier to economic growth and the need for increased employment was to some extent resolved by a policy decision that, if exports could be pushed up to a certain level, the nation might be in a position to advance at least a small way towards the solution of the unemployment problem and at the same time preserve the external balance and savings-investment balance of the economy. The result was the choice of a rate of economic growth of 6.5 per cent and the consequential projection of the economy of 1962 which was finally incorporated in the new plan.

Problems

Among many theoretical and practical issues which may arise in connexion with this programming, two problems stand out. The first is the problem of capital formation. The Japanese economy as projected for 1962 is sharply oriented towards investment and is, so to speak, a high-pressure economy. It requires a gross domestic capital formation of 3,718 billion yen, or 28.5 per cent of the gross national product. This, together with the current foreign surplus, will absorb 30 per cent of the national product (see table 29). In other words, if economic equilibrium is to be ensured, current real savings must equal 30 per cent, a somewhat higher ratio to gross national product than the average in past years. Even if the ideal of "cheap" government, as incorporated in the plan's aim to hold government consumption at 10 per cent, materializes (which is by no means assured), personal consumption will have to be kept at as low as 60 per cent. Can the behaviour of private consumers and corporate enterprises be expected to change so drastically as to ensure this high rate of savings?

Past experience, as indicated in table 29, shows that there would have to be a major change in the propensity to consume if this assumption were to be plausible. In the years 1934-1936, a period of rapid economic expansion, the ratio of private consumption to gross national expenditure was 65.4 per cent, and the rate of total savings less than 20 per cent. In postwar years, one of the outstanding tendencies has been a constant upward pressure of consumption. The "normal" consumption ratio implied may have changed after the war, but the low ratio of 1956 certainly appears exceptional. It would be more reasonable to assume that, since the actual growth path is viewed as having crossed the normal trend line between 1954 and 1955, the normal consumption ratio would now lie somewhere around 62.5 per cent, if not even somewhat higher. In that case, the projection of this high-pressure economy involves a certain degree of inconsistency in the assumed behaviour of the variables in the national economic budget which might find expression in a shortage of funds required for financing such a bold investment programme. One way of escaping this consequence—other than the possibility of importing capital—would be to increase the efficiency of the use of capital. In fact, the assumed capital-output ratio, particularly in the public investment sector, might prove to be higher than actually warranted or required. To the extent, the danger of inflation would be reduced.

The plan's projection has clearly been influenced by the experience of expansion, or cyclical upswing, in 1956. The Japanese planners are, of course, well aware of the abnormal character of that year, which brought about balance of payments difficulties. The decisive argument, however, for the need for a new plan was that the actual economic achievements of the years 1956 and 1957 far surpassed the targets of the old plan (which was based on a projected rate of growth of 5 per cent). In view of the accelerated pace of technological innovations, and of the upward trend in economic activities since the war, economies may in fact now tend to grow much faster than before the war. In any event, however, the feasibility of the objectives of this ambitious programme must to a large extent depend on the enlargement of the stream of real savings, which will necessitate a deliberate policy of encouragement, if indeed it can be brought about without direct enforcement.

The second major query relates to the assumption of the plan that exports will increase at an annual rate of 10.5 per cent from 1956 to 1962, whereas the rate of growth of world trade as a whole is not estimated to exceed 4.5 per cent. In an economy with Japan's limited domestic resources, the possibility of such a speedy growth as is postulated by the programme will ultimately depend on the extent to which exports can be expanded to pay for essential imports. The feasibility of the export targets is therefore one of the focal issues. If the ratio of import requirements to national income should rise faster than is envisaged by the planners, the task of expanding exports would become all the more formidable. In the new plan, special attention is given to the markets of Asia which are assumed to absorb goods and services of the annual order of $1,650 million, or 35 per cent of total Japanese exports, in 1962. Japan also proposes to appear as a buyer of the products of Southeast Asia on this huge scale. The relative importance of these markets for Japanese exports would remain approximately the same as at present, but, in view of diverging rates of economic growth, the same increase would have very different implications for other Asian countries. Unless there are basic changes in the climate of economic development in the region, Japan's attempt at export expansion might thus be frustrated by the slower tempo of growth of production and export availabilities of other countries.

However, Japan's new five-year plan may be ultimately assessed. It represents a courageous attempt to respond to the challenge of the fundamental issues which beset the country's economy—internal and external instability, factor proportions and foreign trade.

Table 29A. Japan: Structure of Economic Circular Flow
(Percentages of gross national expenditure)

	New long-range economic planning	
	Base year 1956	*Target year 1962*
Gross national expenditure	100.0	100.0
Gross consumption expenditure	69.4	70.0
Personal consumption expenditure	58.3	60.0
Government outlays	11.1	10.0
Gross capital formation	31.6	28.5
Equipment investment	21.8	21.0
Industrial equipment investment	17.5	15.8
Primary industries	2.1	1.9
Secondary industries	13.0	12.2
Tertiary industries	2.4	1.7
Administrative investment	4.3	5.2
Inventory increase and decrease	8.0	5.5
Personal housing construction	1.8	2.0
Overseas surplus on current accounts	–1.0	1.5

Source: Economic Planning Agency.

Table 29B. Japan: Structure of Economic Circular Flow
(Percentages of gross national expenditure)

Item	*Prewar years*		*Postwar years*[a]						
	Depression 1930	*Average 1934–36*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*
Gross national expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Personal consumption expenditure	76.2	65.4	60.7	55.4	60.1	61.4	63.4	61.7	58.3
Gross domestic private capital formation	7.2	15.8	20.7	20.7	23.1	19.7	18.9	16.7	24.3
Personal resident construction	0.1	1.4	1.5	1.2	1.8	1.9	2.2	1.7	1.8
Producer's durable equipment	3.9	9.9	9.9	10.0	13.6	11.8	10.5	9.5	14.8
Change in business inventories	2.0	4.5	9.3	9.4	7.5	6.0	4.3	5.5	7.7
Surplus of the nation on current account	1.5	0.1	2.7	3.9	1.3	–0.2	1.7	1.7	–1.0
Government purchases of goods and service	15.3	18.7	15.9	17.7	18.9	19.9	19.3	19.9	18.4

Source: Economic Planning Agency.

Chapter 3

PLANNED DEVELOPMENT IN A MIXED ECONOMY (INDIA)

INTRODUCTION

In the spring of 1957, India entered its seventh year of economic planning and the second year of its second five-year plan. Unlike the first five-year plan, which had taken time to gather momentum, the second plan got off to a quick start. It was also larger in magnitude than the first, and different in content, with a pronounced emphasis on the development of basic industries by the State. Strains of various kinds therefore became evident in the Indian economy in 1957, to an extent that had not been witnessed before in the country since it embarked on planned development.

This phase in India's development is of interest for several reasons. In the first place, following the favourable conditions created by the first five-year plan, the second plan represents an effort to launch the Indian economy into more rapid and self-sustained growth. Rapid and self-sustained growth is understood to require, in the conditions obtaining in India, not only substantially higher rates of investment but also the establishment of basic producer goods industries within the country. Higher rates of investment, once attained, are expected to result in higher rates of growth of output. Higher rates of growth of output are expected to sustain themselves by making it possible to maintain or even raise further these higher rates of investment—and to do so without undue strain on the balance of payments, once the heavy industries are in place. In this way, it is planned to reverse long-established trends and change the whole traditional pattern of poverty, low productivity and unemployment. The extent to which the plan succeeds will therefore determine not only the progress that is registered during the period of this plan but also, to a significant extent, the rates of development that can be attempted in succeeding plans.

Within the period of the second plan itself, the first half may well be the more crucial. This is because much of the proposed investment in basic industries is concentrated in the earlier part of the plan period. The expansion in output of producer goods, which is expected to be realized as a result of this investment, is essential to the further expansions visualized, but these goods can only be delivered, and begin to make their contribution, after some time. Moreover, the investments required for the purpose entail a heavy draft on resources at an early stage.

The goal that has been set in the plan, of taking the country towards a "socialist pattern of society", lends further interest to the present phase of development in India. The approach in the plan to this objective presumes not merely the co-existence of both the public and the private sectors of the economy, but the continued expansion of the public sector. The conception of a socialism which can be evolved through, and is consistent with, a mixed economy is one of the distinctive features of the Indian experiment in planned development. The extent to which, therefore, in the context of the other problems posed by development, the functioning and co-ordination of the two sectors conform to, or depart from, the requirements of the plan is a matter of considerable importance to the whole approach.

The developments in the year 1957 have some bearing on all these aspects of the plan. During the year, partly as a result of the strains created by the planned investment programme, and partly in response to other developments, the second plan had to undergo some revision. This revision has taken the form, in some cases, of the deletion of projects originally included in the plan and, in others, of staggering over a longer period the planned investment outlays. It is too early to assess to what extent the impact of these changes will slow down the pace of development contemplated in the plan. But it is clear that the changes will make themselves felt at certain vital points in the programme and affect, at least in the short run, the rate of expansion in both industry and agriculture. It is also likely that, in the immediate future, the impact will be more serious on the programme in the public sector of the economy than on that of the private sector, which as pointed out below, has already met a larger share of its investment requirements.

The developments during the year can however be best appraised if related to the objectives, assumptions and structure of the second plan, the factors which have necessitated the revision of the plan, and the problems, both current and prospective, which now face the country.

OBJECTIVES OF THE PLAN AND THE ROLE OF THE STATE

India's second plan has as its long-term goal a socialist pattern of society. Its more immediate objectives, and the means proposed to achieve them, can therefore be said to be, directly or indirectly, linked with this goal.

The Indian concept of socialism does not, however, involve a revolutionary change either in political and social institutions or in the means adopted to promote economic development. Socialism is identified primarily with fuller and more equal opportunities for everyone; rising standards of living, and therefore higher productivity; more employment opportunities; easier access for all to education, technical training and health services; and prevention of sectional exploitation. For the achievement of these objectives, the State is given a leading role. But its function is conceived as one of initiating and co-ordinating economic expansion, rather than as one of taking over activities for which alternative agencies either exist or can be created.

The private sector, as it obtains in the country today, is regarded as being unable and unprepared to mobilize the large-scale capital resources and technical skills needed for the establishment of basic industries. These basic industries, however, have to be built up rapidly. Hence, the State has to take the initiative if the targets set by the plan are to be attained within the time limit. The importance attached to the role of the State in Indian planning is thus not in essence attributable to the objective of a socialist pattern of society. The setting of this objective gives it a new dimension, but, practically speaking, it appears to reflect more the consensus in the country about the responsibilities of the State in the initial stages of economic development. This was clearly expressed even in the first five-year plan, before the long-term social objectives of planning had been given a definite form and nomenclature:

> "It is clear that in the transformation of the economy that is called for the State will have to play the crucial role. Whether one thinks of the problem of capital formation or of the introduction of new techniques or of the extension of social services or of the over-all alignment of the productive forces and class relationships within society, one comes inevitably to the conclusion that a rapid expansion of the economic and social responsibilities of the State will alone be capable of satisfying the legitimate aspirations of the people. This will not involve complete nationalization of the means of production or elimination of private agencies in agriculture or business or industry. It does mean, however, a progressive widening of the public sector and a re-orientation of the private sector to the needs of a planned economy."[1]

Since then, in the move towards a more precise formulation of the long-term social objectives, the basic premises of planning have been spelt out in more detail, but this has not changed significantly the conception of the role of the State.

Social ownership and social control of the means of production imply an extension of the activities of the State, but the emphasis on the plan is on flexibility in approach, avoidance of pre-conceived ideas about institutional arrangements, and the positive goals to be attained:

> "The socialist pattern of society is not to be regarded as some fixed or rigid pattern. It is not rooted in any doctrine or dogma. . . . The accent of the socialist pattern is on the attainment of positive goals: the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community. . . . Democracy, it has been said, is a way of life rather than a particular set of institutional arrangements. The same could well be said of the socialist pattern."[2]

In operational terms, therefore, the extension of social ownership and social control of the means of production visualized in the plan is not very great. In the sphere of organized industry (industry organized as factory enterprises), only about 3.5 per cent of the total capital stock in existence in the country is at present owned by the State. The spheres allotted to the public and private sectors in future expansions, and the kind of control and regulation that will be exercised by the State, are indicated in the Industrial Policy Resolution placed by the Government of India before the Parliament in April 1956. That document states that "all industries of basic and strategic importance, or (which are) in the nature of public utility services, should be in the public sector", as also "industries which are essential and require investment on a scale which only the State, in present circumstances, could provide". But the development of the other industries will be left to the initiative and enterprise of the private sector.

In a mixed economy of the Indian type, there seems to be ample scope for free enterprise and private capital, and it is not clear that the course of industrial development will necessarily differ in a fundamental way from that of the industrialized economies of the

1 Planning Commission, *First Five-Year Plan*, 1952, pp.31-32.
2 Planning Commission, *Second Five-Year Plan*, Chapter II, p.24.

West. It may, incidentally, be observed that, in terms of the actual degree of governmental participation in economic transactions, India ranks considerably below most other countries including those which adhere to free-enterprise principles. In 1954, for example, government expenditures, expressed as a percentage of gross domestic expenditures, ranged from about 9 per cent to nearly 25 per cent for various countries of the ECAFE region other than India, and were about 19 per cent in the case of the Federal Government of the United States. For India, the corresponding figure was only 8 per cent for the Central Government, or about 12 per cent if expenditures of the state governments are included. In other words, the "financial levers" in the hands of the Government of India cannot in themselves be considered at present a very powerful instrument for promoting rapid economic development, and other resources have to be brought into play.

In the sphere of small-scale industrial enterprises, and in agriculture, almost the entire stock of capital is privately owned. The land reforms visualized in the plan involve certain ceilings on land holdings, security of tenure, and restriction of rents. But apart from these measures, control over the means of production in agriculture is of a very indirect and marginal character. In trade, extension of direct state participation has been visualized, but in practice it has been confined mainly to operations related to buffer stocks in foodgrains and state trading in commodities which figure in the country's international trade agreements.[1] In the sphere of finance, both the State Bank of India and the life insurance companies, which were nationalized towards the end of the first plan period, are proposed to be used for mobilizing and directing financial resources, but the control that is otherwise exercised over the commercial banking system is limited to the provisions of the Banking Regulation Act of 1949 (as amended subsequently), and the rest of the machinery of money and capital markets functions on its own.

Within this institutional framework, however, the State, as "the principal agency speaking for and acting on behalf of the community", has the responsibility for implementing the plan and for ensuring the achievement of both its long-period and short-period objectives. The long-period aims give only a general direction and "certain basic values" to the plan, but the short-period goals are more specific. It is therefore these latter, as embodied in the plan, which give precision to the role of the public sector.

The main short-period objectives of the plan, to be attained by 1961, can be summarized as follows:

i. The development of "basic industries and industries which make machines to make the machines needed for further development". This objective is translated in the plan into specific targets for iron and steel, non-ferrous metals, coal, cement, heavy chemicals, machine tools, electrical machinery, heavy machinery, and so on.

ii. A rise of 25 per cent in national income (representing a yearly rate of growth of income of 5 per cent), and of 21 per cent in aggregate consumption, as compared to the estimated increase in population of 7 per cent over the period.

iii. An increase in full-time employment sufficient to absorb 8 million persons, and an aggregate demand for labour sufficient "to match the increase in the labour force amounting to 10 million."[2] The employment targets are implicit in the production and investment targets and in the techniques specified in some cases.

iv. A step-up in the rate of net investment in the economy from 7.3 per cent of the national income, as in 1955/56, to 10.7 per cent of the national income by 1960/61, and a parallel improvement in the rate of net investment covered by domestic savings from 7.0 per cent of the national income to 9.7 per cent.[3]

As observed earlier, the development of basic industries, under the Industrial Policy Resolution, falls primarily within the sphere of the public sector. Private enterprises in these industries will continue to exist, and are even to be assisted to expand by the State, but the greater part of the development programme in these industries is to be undertaken directly by the State. The development of basic industries and of "industries which make machines to make the machines needed for further development", is therefore linked up very closely with the investment programme in the public sector.

The increases in national income, consumption and employment anticipated within the period of the second plan are, however, less closely connected with the investment programme in this sector. The bulk of the estimated increases is to come from the increments in production in agriculture and in private industry, and these are linked with only some of the items in the investment programme of the public sector (such as irrigation, expansion of fertilizer production, and generation of power). The role of the State in relation to the income, consumption and employment targets in the plan is, therefore, primarily

[1] For the recent proposal of the Foodgrains Enquiry Commission to socialize the wholesale trade in foodgrains, see below, p.85.

[2] That is, the 10 million additional persons planned to be employed are not assumed to be fully employed in all cases.

[3] The plan years shown in this chapter coincide with India's fiscal years, running from April to the following March.

that of creating and maintaining conditions in which these objectives can be realized within the private sector of the economy.

Both the public and the private sectors can, however, perform their other allotted functions in the plan only if the target rates of investment and domestic saving are attained in the economy as a whole. The projected launching of the Indian economy into more rapid and self-sustained growth is, then, also conditional on the attainment of these goals. It is this problem of mobilizing resources from within the economy to sustain the planned rates of investment that poses the most crucial challenge to the State within the framework of Indian planning.

The approach in the plan to this problem stresses the need for using indirect fiscal and monetary measures as well as direct physical controls to mobilize and direct resources within a mixed economy under conditions of rapid development:

> "A plan is not merely a statement or list of things to be done. It involves an agreement as to how these things are to be done. A democratic system of planning eschews direct commandeering of resources and it operates mainly through the price mechanism. There are, broadly speaking, two types of techniques through which the objectives in view have to be attained. Firstly, there is the over-all regulation of economic activity through fiscal and monetary policy, and secondly, there are devices like export and import controls, licensing of industries or trades, price controls and allocations which influence and regulate economic activity in particular sectors or subsectors of the economy. . . . There is little doubt, however, that a comprehensive plan which aims at raising the investment in the economy substantially and has a definite order of priorities in view cannot be seen through on the basis merely of over-all fiscal and monetary control. The second type of controls mentioned above is thus inescapable."[1]

THE STRUCTURE OF THE SECOND PLAN AND SOME OF ITS IMPLICATIONS

In terms of investment magnitudes, the second five-year plan is a little less than twice as large as the first five-year plan. In the first plan, the total net investment in the economy over the period April 1951-March 1956 was estimated at about Rs 36 billion;[2] the corresponding figure for the period April 1956-March 1961 is Rs 62 billion. But the public sector investment in the second plan is more than twice as large. Thus, the planned investment component of the developmental expenditure in the public sector in the first plan was only about Rs 17 billion. In the second plan, it is Rs 38 billion. The anticipated rise in national income and consumption levels as a result of the second plan is also about twice as high as in the first plan.[3]

The planned rates of investment and the anticipated increases in national income and consumption are, in each case, mutually dependent. Investment increases output, and out of these additions to output at each stage both investment and consumption levels are intended to be stepped up further.

In the second plan, the estimated increase in national output, relative to the planned investment during the period, is in the ratio of 1 : 2.3 on the average (as compared to a ratio of 1 : 3.0 in the original estimates for the first plan and a realized ratio, according to subsequent estimates, of 1 : 1.9). The increase in output during the period of the second plan is, in turn, assumed to be divided between consumption and investment in the ratio of approximately 3:1 (as compared to a ratio of 4:1 in the estimates for the first plan). These ratios are derived from the other relevant estimates in the plan, and are not themselves the bases of these other estimates, but they nevertheless serve to indicate in broad terms the basic quantitative relationships on which the fulfilment of the plan rests.

The relatively low capital-output ratio implicit in the estimates for the plan is explained by a number of factors. In the first place, the figures of total investment relate to *net* and not *gross* investment, though in practice it is difficult to draw an exact line between the two. They also exclude non-monetized investment, which is considerable in the rural sector of the economy.[4] Part of the explanation probably is to be found also in the fuller utilization of existing capital stock, and the simultaneity of "basic" and "supplementary" investments (enabling quicker exploitation of external economies), which are assumed in the plan.

On the assumption that the capital-output ratio is realized, the other relationship with a vital bearing on the fulfilment of the plan is the proportion of the

[1] Planning Commission, *Second Five-Year Plan* (1956), p.38.

[2] Actual realized investment during the period has been estimated, however, at the lower total of Rs 31 billion, including Rs 15 billion in the public sector and Rs 16 billion in the private sector.

[3] The *realized* increase in national income and consumption levels during the first plan period is generally agreed to be higher than the increase anticipated at the time plan was framed, but there is considerable doubt as to how much higher, because of recent adjustments in the estimates regarding additional foodgrain production over this period.

[4] Data obtained in the second round of the National Sample Survey led the Taxation Enquiry Commission to estimate rural investment of a predominantly non-monetized type at more than one-fifth of the net aggregate investment in the economy, or roughly 1.5 per cent of the national income. *Report of the Taxation Enquiry Commission*, vol.1 (Delhi, 1955), p.138.

increase in output that is, on an average, ploughed back at each stage into further investment. The proportion implicit in the plan estimates is, as noted above, approximately one-fourth of the increase in output.

The main built-in mechanism visualized in the plan for the purpose of ensuring the required rate of plough-back during the period of the plan, is that of higher taxation, larger profits in public enterprises and, through these two, a higher rate of saving in the public sector. If the targets of additional tax revenues set in the plan are realized—and a beginning is being made with two new taxes on wealth and on expenditure in 1957/58—the proportion that total tax revenue bears to the national income is likely to be raised from 7.5 per cent, as in 1955/56, to around 9 per cent by 1960/61.

But some parallel increases in the non-investment outlays of the public sector are also expected. Moreover, public enterprises are confined, with a few exceptions, to fields in which their function is to provide the strategic overheads of development, rather than to yield profits for raising the rate of investment. The saving that emerges from the public sector for the planned investment during the period is not, therefore, likely to increase, in all, by more than about one per cent of the national income.

A rate of taxation amounting to 9 per cent of the national income is, of course, very low as compared with rates of 20 to 30 per cent which are typical of industrial countries.[1] It would certainly appear possible to raise this low rate in future, and thus raise the contribution that public saving makes to the national rate of saving as a whole. However, the difficulties which India has thus far experienced in doing so serve, among other things, to illustrate a key problem. It is that of finding practical means of obtaining a sufficient increase in marginal and average rates of saving in a mixed economy with initially low per capita incomes which chooses to avoid using the customary fiscal methods of centrally planned economies, and which seeks to maintain incentives in the private sector of the economy.

Nevertheless, that the necessary saving can be raised by fiscal means, or through direct controls on consumption, appears to be one of the major assumptions of the plan, resting on its conception of the responsibilities and potentialities of the private sector as well as of the State, and of the restraints that will need to be imposed in a mixed economy under conditions of rapid development.

Of the total estimated investment of Rs 62 billion in the period of the second plan, the share of the public sector is, as indicated earlier, Rs 38 billion. But the developmental expenditure in the public sector consists not only of investment in durable productive assets but also of current outlays of a recurring character, amounting in all to Rs 10 billion over the period.[2] The total outlay on development in the public sector visualized in the plan is therefore Rs 48 billion.

The way in which the total outlay of Rs 72 billion, in the public and private sectors together, is expected to be distributed as between different categories of investment brings out still more clearly the important role of public investment within the scheme of development set out in the plan. Table 30 gives a rough classification of the total outlay by category.

It will be seen that, of the total anticipated investment of Rs 62 billion over the period, the share of productive investment in agriculture and industry (including mining) is Rs 24,740 million. Of this total, Rs 15,840 million, or nearly two-thirds, is to be through the public sector. The next biggest investment is in transport, communications and power, which are to service productive activity in both industry and agriculture. The share of the public sector here is over 90 per cent. The rest of the investment is accounted for by social services, residential construction and inventories. In that part of the total investment which is designed to contribute directly to productive activity, the share of the public sector is therefore predominant.

It will also be obvious from table 30 that, though about one-fifth of the total investment during the period of the plan is earmarked for large-scale industries, the share of consumer goods industries is only about 15 per cent of this allocation. The rest is for machine-making and other producer goods industries.

Apart from the amount thus allotted directly, much of the allocation for mining and railway transport is also closely linked to the devolpment of basic industries and "industries which make machines to make the machines needed for further development". The total cost of the proposed development of these industries in the second plan is therefore well above a quarter of the total estimated investment

[1] Some rates of tax revenue as a percentage of gross domestic product for the year 1954 were (approximately): western Germany 33 per cent, United Kingdom 33 per cent, United States (all levels of government) 27 per cent, Belgium 24 per cent, Canada 24 per cent, Australia 22 per cent, Japan 21 per cent, Israel 18 per cent. For India, including the states, the corresponding figure was a little less than 7 per cent (for the Central Government alone, less than 4 per cent).

[2] Although the concept of developmental current outlays is employed by the Indian Planning Commission, a generally applicable definition has not been evolved.

Table 30. India: Distribution of the Total Outlay on Development, 1956-1961
(Millions of rupees)

Item	*Investment outlay*	*Current outlay*
Public sector		
Agriculture, industry and mining:		
Agriculture and community development	3,380	2,300
Irrigation and flood control	4,560	300
Village and small-scale industry	1,200	800
Large-scale industry:		
Industrial machinery and capital goods	840	
Other producer goods	4,630	
Consumer goods	120	200
Miscellaneous	380	
Mining	730	
Total, agriculture, industry and mining	15,840	3,600
Transport, communications and power:		
Transport and communications	13,350	500
Power	4,070	200
Total, transport and power	17,420	700
Others:		
Social services	4,550	4,900
Miscellaneous	190	800
Total, others	4,740	5,700
TOTAL	38,000	10,000

Item	*Investment outlay*
Private sector	
Agriculture, industry and mining:	
Agriculture and village and small-scale industry.	3,150
Large-scale industry:	
Industrial machinery and capital goods	720
Other producer goods	2,960
Consumer goods	1,670
Mining	400
Total, agriculture, industry and mining	8,900
Transport, communications and power:	
Electricity undertakings and transport	1,100
Others:	
Residential construction	10,000
Inventories	4,000
Total, others	14,000
TOTAL	24,000

Note: The classification in this table is based on data given on pp.56-57 and p.416 in the report on the *Second Five-Year Plan* by the Planning Commission. It has been assumed that, of the estimated investment of Rs 1,250 million in plantations, electricity undertakings and transport other than railways (given on p.56), Rs 150 million represents investment in plantations. This is shown under "agriculture and village and small-scale industries".

during the period of the plan. Investment in agriculture and consumer goods industry, on the contrary, accounts for much less than a quarter of the total anticiptated investment.

In relation to the investment allocations for increasing the output of consumer goods, the estimated increases in their output are however substancial. As mentioned earlier, aggregate consumption in the country is expected to be stepped up by 21 per cent by the end of the plan period. This high ratio of increase in consumption to the investment entailed, is partly due to the low capital coefficients postulated in agriculture and to the fuller utilization to be made of available capacity in all consumer goods industries. But part of the explanation is to be sought in the important role given in the plan to household and small-scale industries and in the additional planned investment in these industries. Household and small industries have been favoured not only because of the lower per capita amounts of capital required for productive employment but for the reason that, for a large number of products, it is believed that the capital-output ratios are also more favourable in the case of labour-intensive techniques than in large-scale mechanized techniques of production. The surpluses available for saving (even on the basis of low wage rates) are, however, often proportionally lower in the case of household and small-scale enterprises, and therefore present some difficulties in raising the level of savings in the economy alongside aggregate output and employment.

An essential premise of the plan is that the investment in basic industries will, in the long run, help to effect a considerable saving in foreign exchange. At present world prices, for instance, the foreign exchange cost of importing a million tons of steel is said to be almost as high as the foreign exchange cost of a steel plant with an installed capacity of a million tons a year.[1] The foreign exchange cost of a plant for producing heavy machinery or fertilizers is also counted on to pay for itself in terms of foreign exchange within a few years, at current world prices. It is this calculation of a future saving in foreign exchange which mainly explains the large allocation to basic industries in the second plan.

In the first instance, however, the proposed investment in basiç industries, together with the

[1] Once the steel plants are built the foreign exchange involved in the recurring costs of production is expected to be small.

associated investment in mining and transport, will involve a heavy draft on foreign exchange. This is reflected in the large imports of machinery and other producer goods provided for over the plan period as a whole, and in the expected decline in the rate of these imports towards the end of this period.

Table 31. India: Estimated Imports of Machinery and Other Producer Goods, 1956-1961

(Millions of rupees)

Item	1955[a]	1956-1961	Annual average, second plan	Last year of second plan 1960/61
Machinery and vehicles	1,590	15,000	3,000	2,500
Iron and steel	500	4,300	860	600
Other metals	250	2,200	440	400

[a] Actual.

Owing in substantial degree to these heavy imports of machinery and producer goods required for the implementation of the plan, a large deficit in the balance of payments has been anticipated over the plan period. This deficit was estimated in the plan at Rs 11,200 million. The resources available, or likely to be available, to cover this deficit amounted to about Rs 4,000 million at the time the plan was framed (which included the unutilized aid received during the period of the first plan, the amount which it was proposed should be withdrawn from India's sterling balances during the plan period, and the credits offered by the United Kingdom and the Soviet Union for two of the steel plants included in the plan). The plan's premises therefore indicated that additional foreign exchange of the order of Rs 7,000 million was required, by way of further aid.

About two-thirds of the investment in basic industries and in related items was expected to take place before the end of the third year, and savings in foreign exchange resulting from some of these investments were counted on to start accruing towards the latter part of the period.[1] A somewhat more than proportionate part of the estimated deficit in foreign exchange was thus expected to be incurred over the first three years of the plan period (table 32), even though aggregate investment was estimated to rise steadily over the whole period reaching, by 1960/61, about double its 1955/56 level.

[1] For example, the new steel plants at Bhilai, Durgapur and Rourkela are expected to cost (exclusive of the townships at the three locations), about Rs 3,530 million, and the larger portion of this expenditure will be incurred in the first two or three years of the plan. The Bhilai and Rourkela steel plants are expected to go into production by the end of 1959 and Durgapur in 1960.

Table 32: India: Estimated Phasing of Foreign Exchange Deficits, 1956-1961

(Millions of rupees)

Fiscal year	Deficit on current account
1956/57	1,480
1957/58	2,480
1958/59	3,470
1959/60	2,470
1960/61	1,300
TOTAL	11,200

The implication therefore was that a large part of the further aid required for the plan was also needed in the first three years.

One of the important premises underlying the estimates of foreign exchange deficits in the plan was that imports of consumer goods would not be allowed to increase to any significant extent. On foodgrains, which constitute the most essential item in this category, a ceiling of 6 million tons was to be placed on imports over the period and even a part of these imports was for the purpose of building up buffer stocks rather than for raising levels of consumption. Increases planned in domestic consumption were therefore to come entirely from the increments in domestic output. If, however, "foreign resources of the order required are not forthcoming," the plan foresaw that "it would be necessary to restrict the growth in consumption to a correspondingly greater extent".

INVESTMENT, PRODUCTION AND PRICE TRENDS, 1951-1957: AN APPRAISAL OF THEIR SIGNIFICANCE IN RELATION TO THE PLANNED DEVELOPMENT

Though the second five-year plan is much larger than the first, both in magnitude and in scope, it represents in many respects an effort to carry forward trends which were either established, or which it was sought to establish, during the period of the first plan. The developments in the first two years of the second plan cannot, therefore, be seen in perspective without reference to these trends.

The rates of investment aimed at in the second plan clearly follow the path mapped out in the period of the first plan. At the beginning of that period, the net rate of investment was about 5 per cent of the national income. Over the period of the first plan, it was raised to a little over 7 per cent of the national income, with the result that, in absolute

terms, the level of investment in the economy by the end of the period 1951-1956 was not far from double the level in 1950/51.[1]

The step-up in the rate of investment was accomplished in substantial part through raising outlays in the public sector, and the bulk of it took place in the second half of the first plan period. This is reflected in the rates of developmental expenditure in the public sector (table 33).

Table 33. India: Investment and Total Development Outlay in the Public Sector in the First Five-Year Plan

(Millions of rupees)

Fiscal year	*Investment*[a]	*Total development outlay*
1951/52	1,858	2,594
1952/53	1,879	2,674
1953/54	2,461	3,430
1954/55	3,610	4,759
1955/56	4,897	6,665[b]

[a] Figures for individual years are approximate, the total for the five-year period as a whole being about Rs 15,000 million.

[b] The figure is based on the Revised Estimates; the final accounts show that the actual expenditure incurred during the year was only about Rs 6,140 million (*Review of the First Five-Year Plan*, p.3).

The rates of investment in the private sector also rose. Data are not available on investment in household and artisan enterprises, but the rate of investment in factory enterprises in industry (exclusive of the expenditure on modernization and replacement of plant and machinery[2]) is estimated to have gone up from an annual average of Rs 260 million in the first two years of the plan period to Rs 440 million in the third year, Rs 500 million in the fourth year, and Rs 850 million in the final year.

The step-up in the rate of investment contemplated over the second plan period, from a little over 7 per cent of the national income to 10.7 per cent, implies almost a further doubling of the level of investment in absolute terms. This would entail raising the developmental outlays in the public sector at an average rate of about one billion rupees a year, and effecting a simultaneous (though not proportionate) increase in the rate of investment in the private sector.

Preliminary official statements regarding the outlays on the plan in 1956/57 and 1957/58 indicate that the planned increases in the over-all rate of investment are being more or less realized.[3] However, it is understood that developmental expenditure actually incurred on the plan in 1956/57 in the public sector has been of the order of Rs 6,600 to Rs 7,200 million as against Rs 8,000 million planned, and that the allotments for 1957/58, which add up to Rs 9,650 million, are likely to be spent only to the extent of about Rs 8,000-8,600 million. In the private sector, the investment in factory enterprises in industry (excluding the expenditure on modernization and replacement of machinery) has been estimated at approximately Rs 1,400 million in 1956/57. It would appear that this level has been at least maintained, if not improved upon, in 1957/58.

Apart from public investment connected with planned development and from private investment in agriculture and industry, there is also evidence of a rise in investment on residential construction towards the later stages of the first plan and the first year of the second plan. This has been reflected in an increased private demand for cement and other building materials, though no quantitative estimate of the magnitude of the increase is yet available.

Alongside the increases in productive investment over the period 1951-1957, in the public and in the private sectors, there have been increases in output both in agriculture and in industry, particularly the latter. These increases took place after a period of comparative stagnation, lasting nearly a decade in the case of industry and over a decade in the case of agriculture.

In agriculture, according to available estimates, the increase in the volume of production in the course of the first plan was considerable (table 34).[4]

Only a part of the increases in agricultural production realized during this period can, however, be attributed to the investment undertaken in the first plan. Thus it has been officially estimated that, though the output of foodgrains in 1955/56 was about 11 million tons higher than in 1949/50, the actual production potential added on account of the programmes included in the first plan was less than 6 million tons.[5] The rest can, therefore, be explained only by factors extraneous to the plan.

A close examination of the estimate shows that the apparent over-fulfilment of the targets in the case of foodgrains has taken place mainly in the states

[1] Planning Commission, *Review of the First Five-Year Plan*, p.9.

[2] Data regarding the expenditure on the modernization and replacement of plant and machinery are not available on an annual basis, but it has been estimated that it amounted to Rs 1,100 million over the period 1951-1956 (*Review of the First Five-Year Plan*, p.4). The planned outlay on modernization and replacement over the period of the second plan is Rs 1,500 million. This is additional to the planned investment in large-scale industry shown in table 30.

[3] Statement by the Minister for Planning, Government of India, in the Lok Sabha (Lower House of the Indian Parliament), 13 September 1957.

[4] *Review of the First Five-Year Plan*, p.100.

[5] *Ibid.*, p.99.

Table 34. India: Indexes of Production of Agricultural Commodities, 1950/51 to 1956/57
(Base year 1949/50=100)

Commodity	Weightage	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57
Foodgrains	66.9	90.5	91.1	101.1	119.1	114.4	113.5	119.6
Oilseeds	9.9	98.5	97.4	91.9	103.7	121.7	109.2	115.9
Sugarcane	8.7	113.7	122.8	101.6	89.5	116.7	121.2	136.7
Cotton	2.8	110.7	119.2	121.0	151.8	163.1	151.6	179.3
Jute	1.4	106.3	151.4	148.6	100.0	94.7	135.7	136.5
All agricultural commodities	100.0	95.6	97.5	102.0	114.3	116.4	115.9	123.0[a]

[a] Ministry of Agriculture, *Agricultural Situation in India*, August 1957, pp.455-456.

which were formed, in 1951, out of what were previously the territories of the Native Princes (referred to until 1956 as "Part B States"). Since problems of administrative consolidation were still considerable in these states during the period of the first plan, the developmental work undertaken during this period was generally on a more limited scale than in the states which were formed out of the previous British provinces. There is therefore reason to believe that a large part of the increases in output shown by the estimates for these states represents the effect of wider statistical coverage following administrative consolidation, rather than actual increases realized during the period.

There is one other important feature about the increases in agricultural production during this period. It will be seen from table 34 that, if the commercial crops are excluded for the present, agricultural production appears to have gone up, not gradually over the period, but in a sudden spurt in 1953/54. This was helped by favourable weather conditions, though it is difficult to say by how much. After the sharp rise in 1953/54, the output of foodgrains actually declined. Thus the level of foodgrain output, both in 1954/55 and in 1955/56, was lower than in 1953/54. According to preliminary estimates, it barely reached the 1953/54 level again in 1956/57. The outlook for 1957/58 is not better. Part of this decline may be attributed to a series of crop failures in these years. Since irrigation facilities are limited to certain areas, most agriculture in India is still very much subject to the vagaries of the weather.

The fact that the rise in the output of foodgrains in the first plan period took place suddenly towards its third year, when less than half of the planned development expenditure had been incurred, suggests that not even 6 million tons of the increase can in fact be attributed to the expansion of production potential created over the plan period. If taken together with the failure of foodgrain production to rise further in the subsequent years, the developmental outlays in agriculture in the period of the first plan would appear on the whole to have had a less significant impact on production than was at one time thought. This is undoubtedly one of the factors which account for the growing shortage of foodgrains that has become evident as a result of increases in investment expenditure and domestic demand in the economy since 1954/55.

The production of commercial crops, more price-elastic than foodgrains, has shown a different pattern of fluctuations. In the case of raw jute, for instance, the peak level of production was attained in 1951/52, stimulated largely by the sharp rise in the price of raw jute in 1951, during the Korean hostilities; production declined in 1953/54 and 1954/55 with a slump in prices, but again showed a tendency to go up in 1955/56 as the level of prices improved. Raw cotton is the only commercial crop for which prices remained relatively stable over the period, and this is also the only crop in which there has been a more or less steady increase in output during the period of the first plan.

It is clear therefore that, with the exception of raw cotton, the available data do not indicate a steady rise in agricultural production. There have been increases in production, but these do not amount to anything like a firm trend.

This is not true, however, of industry. After a period of uncertain fluctuations around levels reached towards the middle of the Second World War, industrial production started rising from 1951. Not only has it continued to rise since then but it has been going up at a gradually increasing rate, as will be evident from table 35:

Table 35. India: Indexes of Industrial Production, 1951-1956

(Base year : 1951)

Year	Index
1951	100.0
1952	103.6
1953	105.6
1954	112.9
1955	122.1
1956	133.0

Compared to the level in 1950/51, industrial production in factory enterprises in 1955/56 is estimated to have gone up by about 38 per cent.[1] The percentage increase was greatest in the production of capital goods (about 70 per cent), while the production of intermediate goods and of consumer goods went up by about one-third in each case. The tendency for the output of producer goods to rise started towards 1954, and has gathered momentum in the last three years.

The trends in investment and in production outlined above are relevant to an understanding of the price movements in India during the period 1951-1957. In the earlier part of this period, neither increases in the rate of investment nor increases in output were significant enough to make a difference to the general level of prices. But the bumper crop in 1953/54, at a stage when the rate of investment was only beginning to pick up, caused a sharp fall in prices, and this continued right through 1954/55. The decline in prices during this period was considerably greater in agriculture than in industry.

In the following period, however, while the rate of investment was stepped up sharply, output was increased, in the main, only in industry. Consequently, there was a tendency not only for the increases in demand generated by investment to outstrip the increases in supply, exerting an upward pressure on the general level of prices, but for agricultural prices to rise relatively to industrial prices. This phase, which started towards the final year of the first plan, has continued into the second plan period.

[1] Data relating to production in household and artisan enterprises are not available for this period, but the output of handloom cloth, one of the important small-scale industries organized on this basis, shows a clear upward trend. Figures in million yards are:

1950	805	1954	1,318
1951	850	1955	1,480
1952	1,109	1956	1,509
1953	1,200		

Indirect evidence suggests that output in other small-scale industries has also been rising during this period, even if not at the same rate.

The extent of the price changes since 1953, and the variations in the relative prices of agricultural and industrial products, are shown in table 36.

Table 36. India: Indexes of Wholesale Prices of Selected Agricultural and Industrial Products, 1951-1957

(Base: last Saturday of March 1951=100)

A. Agricultural products

Year (as of last Saturday of March)	Rice	Wheat	Gram	Groundnuts
1951	100	100	100	100
1952	94	85	90	60
1953	90	96	96	88
1954	88	93	80	75
1955	75	74	49	44
1956	94	90	73	74
1957	111	104	93	74

B. Industrial products

Year (as of last Saturday of March)	Cotton manufactures	Iron and steel	Sugar	Chemicals
1951	100	100	100	100
1952	107	104	100	122
1953	106	127	88	107
1954	108	129	102	105
1955	107	130	95	106
1956	105	152	89	100
1957	108	159	90	110

These shifts in prices, along with the trends in production noticed above, have had a significant effect on the distribution of incomes in the economy and, through the distribution of incomes, on savings in the private sector. It will be evident from table 37 that, despite the substantial increase in agricultural output reported towards the later stages of the first plan, the share of agriculture in the national income, computed at constant prices, fell from about 51 per cent in 1953/54 to about 44 per cent in 1955/56.

Table 37. India: Share of Agriculture in National Income at Constant Prices, 1951/52 to 1955/56

Fiscal year	National income (Rs billion)	Share of agriculture in national income (Per cent)
1951/52	91.0	50.3
1952/53	94.6	49.0
1953/54	100.3	50.7
1954/55	102.8	45.2
1055/56	104.2	43.7

The reduction in the share of agriculture in the national income meant, in effect, a shift in favour of the urban sector and classes with higher propensities to save. This was partly reflected in larger profits

in industry, partly in a greater inflow of small savings, partly in increased building activity, and partly in a substantial improvement in the response to government borrowings in the capital market. With the reversal of price trends from 1955/56, incomes appear to have shifted back in favour of the rural sector, with corresponding effects on rates of saving in the urban sector and in the economy as a whole.

The marked improvement in the rate of investment in private industry from 1954 on, noticed earlier, coincided with a rise in profits and in internal savings in the corporate sector. It will be seen from table 38 that not only has the volume of corporate savings increased from 1954 onwards, but that smaller proportions of such addition to resources have been diverted to form inventory holdings than in periods of rising agricultural prices (such as in 1951).

Table 38. India: Sources and Uses of Funds in Public Limited Companies,[a] 1951-1955
(Millions of rupees)

Item	1951	1952	1953	1954	1955
Sources:					
Internal savings[b]	661	295	417	518	762
Borrowings:					
Through share capital	71	33	58	36	114
Others	364	−98	5	306	325
Other sources	145	92	14	150	160
Total, sources	1,241	323	493	1,010	1,361
Uses:					
Gross fixed asset formation	326	458	485	635	806
Investory holding	604	−181	−140	102	233
Lendings (including acquisition of securities)	297	46	97	224	257
Accumulation of cash	14	−1	52	49	64
Total, uses	1,241	323	493	1,010	1,361

[a] Public limited companies are companies with limited liability whose capital is open to subscription by the public and not merely by a closed group. The data cover all public limited companies with a paid-up capital of not less than Rs 500,000 each, other than banking, insurance and investment companies, government companies, companies limited by guarantee, non-profit associations and branches of foreign companies (*Reserve Bank of India Bulletin*, September 1957).

[b] Internal savings have been calculated by totalling the additions to reserves each year (including the depreciation and taxation reserves) and the balance of profit.

The rise in agricultural prices relative to industrial prices, as from 1955/56, has not so far affected the upward trend of investment in private industry. Investment in private industry appears to be dominated more by the growing demand for industrial products in a developing economy. But there is evidence, as will be noted below, that the rise in agricultural prices had made private industry more dependent on sources other than corporate savings, both for fixed asset formation and for the holding of inventories.

Since the Indian economy has been functioning largely through the mechanism of free markets, the price movements during this period have had other effects. Thus, when the general level of prices declined from 1953/54, the demand for imports of consumer goods went down, and exports received a stimulus.[1] The index number relating to changes in the volume of exports shows a rise of 15 per cent between 1953/54 and 1955/56. Though there was a substantial increase at the same time in the imports of machinery and other producer goods, the final year of the first plan period ended with a surplus on current account in the balance of payments.

But, with the rise in the domestic price level from 1955/56, these tendencies in regard to exports and imports have been reversed. In the case of many export commodities, supplies have tended to be diverted from foreign to domestic markets, and there has been, at the same time, increased pressure to import consumer goods (including foodgrains).

The fluctuations in prices over the last few years have undoubtedly had some effect also on production in the private sector. While the improvement in the terms of trade for industry from 1953/54 was on the whole beneficial, the sharp decline in foodgrain prices had a dampening effect on the programme for increasing foodgrain production. It is difficult to say how much this factor has affected the trends in agricultural output, but, as noted earlier, it is perhaps significant that the only crop with a steadily rising production is cotton, for which prices have been relatively more stable than for any other agricultural crop. It is also significant that, alongside the upward movement of foodgrain prices, the demand for fertilizers from agricultural producers, which was less than 0.3 million tons in 1955/56, is now estimated to be around 1.4 million tons.[2] This growth in the demand for fertilizers evidently reflects the desire to increase production following the turn in price trends, as well as, to some extent, an increase in purchasing power in the hands of the agricultural producers.

The movements in foodgrain prices over this period have been accentuated by changes in the holdings of stocks by producers and private traders. When prices began to fall from 1953/54, producers and traders dishoarded their stocks, and this accentuated the decline in prices.[3] The opposite process has been visible since 1955/56. Though sales of

[1] Price movements, of course, were not the only cause of changes in export and import volumes. The direct effects of investment have already been mentioned. The decline in exports of some items—viz. raw cotton, cotton waste and oilseeds—was also due to the expanding home market.

[2] *Report of the Foodgrains Enquiry Committee* (November 1957), p.112.

[3] The measures taken to control speculative activities were not very effective.

foodgrains by the State in the open market have been used to counter the effects of this tendency, neither they nor the credit restrictions imposed by the Reserve Bank have so far been enough to neutralize it altogether. In the period of falling prices, the main difficulty in the way of large-scale purchases by the State was lack of the necessary administrative machinery (which had been largely dismantled after the decontrol of foodgrains in 1953) and of adequate storage facilities. In the current phase of rising prices, the main difficulty for the State is in acquiring sufficiently large surpluses for sale in the open market. (Imports of foodgrains by the Government up tc November 1957 for sale in the open market have been estimated at approximately 5.5 million tons, an amount approaching the ceiling of 6 million tons for the entire period of the plan in the original estimates.)

It is clear that the problem, in the case foodgrains, is not merely that of establishing a rising trend of production but of ensuring that a sufficiently large proportion of the additional production is marketed and made available, at reasonably stable prices, to consumers in both the rural and urban sectors. The increase in production realized in 1953/54, and the subsequent increase in the marketed surpluses of foodgrains, were on the whole of a fortuitous character, and were not related to improvements of a significant nature either in techniques of production or in forms of organization in agriculture. For this reason, attention has been increasingly focused on the need for organizational changes within agriculture. The merits of co-operative farming are being emphasized in this connexion, partly to facilitate the quicker adoption of improved techniques of production but even more, perhaps, in order to establish new and firmer links with the agricultural sector, through credit and marketing, which will ensure an expanding flow of supplies out of increases in production. In the interim period, supplies of foodgrains from abroad (through such channels as are provided by United States Public Law 480) are being regarded as an important means of keeping down inflationary pressures within the economy.

The movements in prices during this period are not, however, explained entirely by the trends in the rate of investment and output within India and by the other tendencies indicated above. Both at the beginning of this period, i.e., in 1950/51, as well as towards the closing stages, i.e., from 1956/57, factors external to the economy have exerted considerable influence on internal price movements. To some extent, the economy has been insulated from price movements abroad through fiscal measures (such as export duties), but, when the prices of imported commodities have risen significantly, the pressures generated have tended to be transmitted to the domestic price structure. Thus, the rise in prices in India from 1956/57 is partly explained by the rise in prices abroad during this period and partly also by the Suez crisis and the consequent increase in freight rates. This rise in prices abroad, affecting in particular the prices of imported machinery and producer goods (which, in some cases, have gone up by more than a third over previous levels), has also been a material factor in the deterioration in India's balance of payments in the first two years of the second plan period.

MOBILIZATION AND UTILIZATION OF RESOURCES IN THE SECOND PLAN PERIOD

The above review of the trends in investment, production and prices in the period 1951-1957 indicates some of the problems posed by a programme of economic development in a mixed economy. During this period, in India, the rate of investment in the public sector has been progressively stepped up to a level more than three times as high as in 1950/51. This has been accompanied by substantial increases in private investment. A large proportion of the public investment has gone into agriculture, and this has been supported by community development programmes and agricultural extension services. Nevertheless, though industrial production has been rising steadily, a clear trend of rising production has not been established in agriculture as yet. At the same time, with the increases in demand generated by rising investment outlays, and the different tendencies displayed in industrial and agricultural production, it has been difficult to maintain stability of prices. The changes in price level have, in turn, affected production as well as the propensity to save and the balance of payments.

These problems have come sharply into focus only in the course of the last two years. In the first plan period, the years during which the rate of investment was stepped up rapidly were the years in which agricultural prices were falling—partly, as noted, because of increases in output unrelated to the investment programme in the plan. The decline in agricultural prices not only helped to generate the savings required for sustaining higher rates of investment but gave the increases in expenditure for the plan the character of counter-cyclical public investment. Thus, the private sector was able to find the resources needed to raise the rate of investment in industry, and the public sector was able to increase its rate of investment through deficit financing, without placing a severe strain on internal resources or on the foreign exchange reserves of the country.

The situation was reversed when investment continued to rise without a corresponding upward movement in agricultural production. In consequence, prices began to rise, the terms of trade turned against

industry, savings in the urban sector showed signs of contraction, and the combined pressure of all these factors began to affect the balance of payments. These tendencies, set in motion towards the later stages of the first plan, became fully evident towards the first year of the second plan. In the conditions thus created, the problem of mobilizing resources for the second plan, and of utilizing them in accordance with the priorities in the plan, has assumed an importance and a seriousness which it did not show, at any stage, in the period of the first plan.

The necessity of reducing the dependence on deficit financing to sustain the rising rates of public investment was realized from the beginning of the second plan period. Measures of additional taxation, estimated to yield Rs 330 million in 1956/57, were introduced by the Central Government in February 1956. Subsequently, excise duties were raised in September, 1956 and a supplementary budget with stiffer taxation was introduced in November 1956. These tax measures were expected to yield, in all, another Rs 335 million in 1956/57.

In the budget of the Central Government for 1957/58, further tax proposals were made, estimated to yield an additional Rs 930 million during the year. From the tax measures introduced in these first two years, therefore, the target of additional tax revenue set for the Central Government in the plan seems likely to be realized, and even exceeded. The shortfalls in this respect have so far been in the sphere of the state governments.

Part of the increased revenue from taxation, however, is likely to be absorbed by increases in non-plan expenditures such as on defence. For example, the outlay on defence, which was maintained at around Rs 1,900 million a year over the period of the first plan, has gone up to Rs 2,240 million in 1956/57, and is estimated to rise further to Rs 2,770 million in 1957/58. Thus it appears that the additional taxation has prevented the gap between public investment outlays and the volume of saving in the public sector from widening to any significant extent, but has not succeeded in narrowing this gap. Though the estimated expenditure on the plan from government budgets shows a substantial rise, it seems likely, after making allowance for the expected shortfalls in expenditure, that the actual excess of public investment outlay over public saving in the first two years of the second plan will not be much greater than in the last year of the first plan.

But the cummulative effects on incomes of the increases in investment expenditure over a period, and the shift in terms of trade in favour of agriculture, have tended to push up consumption expenditure in the private sector and reduce the savings forthcoming through the normal channels of the capital market. This is reflected in a number of indicators relating to private saving. For the two years 1956/57 and 1957/58, the total cash subscriptions from the public to the loans floated by the central and state governments add up to only about Rs 1,600 million as against the plan target of Rs 1,400 million a year, and as compared to realized amounts of Rs 1,130 million in 1954/55 and Rs 894 million in 1955/56. In regard to small savings,[1] as compared to the net collection of Rs 661 million in 1955/56, and the target of Rs 1,000 million a year over the period of the second plan, the net realizations in 1956/57 amounted to only Rs 650 million; the net collection in the period April-June 1957 shows a further decline, being only Rs 109 million as compared to Rs 236 million in the corresponding quarter of 1956.[2] Part of this decline in small savings and in the subscriptions to government loans is perhaps attributable to the diversion of available savings to other purposes in the private sector.

Since private saving forthcoming through normal channels has not gone up markedly, the increased investment activity in the private sector has tended to become more dependent, directly or indirectly, on bank credit. The contribution of bank credit to capital formation in industry over the period 1953-1957 is shown in table 39.[3] Even part of the contribution to the new issues of capital in the private sector is traceable to bank credit, since the amounts required for subscription to these shares have been to some extent raised, by borrowing from banks against shares and debentures.

Table 39 India: Contribution of Bank Credit to Capital Formation in Private Industry, 1953/54-1956/57
(Millions of rupees)

Years[a]	*Increase in industrial advances of scheduled banks* (1)	*Increase in gross fixed assets and inventories of public and private limited Indian joint stock companies and branchs of foreign firms and companies operating in India*[b] (2)	*Ratio of (1) to (2) (percentage)*
1953/54	40	940	4
1954/55	480	1,360	35
1955/56	590	1,950	30
1956/57	900	...	...

[a] Year ended June.
[b] Based on published figures of the analysis of balance sheets of 750 public limited companies and on estimates in respect of private limited companies and branches of foreign firms and companies made on the basis of available data.

[1] Small amounts collected through the medium of the post offices, co-operative societies and rural banks, not including subscriptions to government loans and banks (other than National Plan Savings Certificates).
[2] Statement by the Minister of Planning in the Lok Sabha, 13 September 1957.
[3] *Reserve Bank of India Bulletin*, October 1957.

The rising tempo of investment in the private sector has also been sustained by a growing volume of loans extended by the Industrial Finance Corporation of India, the State Financial Corporations, the Industrial Credit and Investment Corporation, all of them agencies specially created to finance investment in this sector. Applications from private industry amounting to Rs 270 million have been sanctioned by the Industrial Finance Corporation alone during 1951-1957.

The pressure of rising consumption and investment expenditure in the economy on available output is reflected, as observed earlier, in the trend of prices since early 1956. But the rise in prices so far has not developed either the dimensions or the other usual characteristics of an inflationary movement. Some of the increases in prices, such as of steel and cement, have altered the structure of relative prices in a way that may also be of some help to the development process inducing substitution for them of other less scarce materials. Even the rise in foodgrain prices, in so far as it has corrected the effects of the earlier sharp decline, can be regarded as partly of a functional character. Moreover, while there is an upward pressure on the prices of foodgrains, signs of excess supply and of a downward pressure on prices are evident in the case of other important commodities such as cotton textiles. This tendency is likely to become more prominent as the investment undertaken in private industry leads to further increases in installed capacity. The main danger at the present moment, therefore, appears to be that of a further rise in foodgrain prices which, by strengthening the demands for higher wages, might start a wage-induced inflation.

The impact of the rising consumption and investment outlays on the balance of payments of the country and on its foreign exchange position has, however, been more serious. While the value of exports in 1956/57 showed a slight decline below the level in 1955/56 (despite a rise in the unit value of exports), the value of imports increased by over Rs 3,250 million between these two years, and it was higher than in 1953/54 by no less than Rs 4,850 million. The deficit in the balance of payments on current account (exclusive of receipts through official donations) was therefore as much as Rs 3,320 million in 1956/57, which, as will be evident from table 40, was larger than the net deficit over the entire period of the first plan. The deficit on current account in 1957/58 seems, in turn, likely to be larger than in 1956/57.

The shares of the private and public sectors in the increase in imports between 1955/56 and 1956/57, are given as Rs 1,840 million and Rs 1,410 million respectively, although the latter figure appears to disregard some Rs 500 million of increase on account of additional imports made by the Government.[1] Part of the requirements of the public sector was met by imports made on private account, and the share of the private sector might actually have been smaller than here indicated. On the other hand, a large part of the increased imports of the public sector was accounted for by foodgrains for sale in the open market.

Analysed by category of imports, the largest increase took place in capital goods. Machinery, vehicles, iron and steel, and other metals accounted for Rs 4,420 million of the total imports in 1956/57, registering an increase of Rs 1,430 million over 1955/56. There has also been some increase in the imports of essential raw materials (such as mineral oils), but consumer goods are second only to capital goods as the cause of the increase in imports in 1956/57. The value of imported foodgrains alone increased by Rs 730 million compared to 1955/56, but there were also significant increases in respect of less essential items, like cutlery and hardware, electrical goods, photographic and cinematographic goods. Imports of these goods in large quantities during this period are explained partly by the relaxation of import controls towards the closing stages of the first plan, which made it possible to meet some of the luxury demands in the urban sector of the economy, and partly perhaps by the expectations of stricter controls during the period of the second plan.

[1] Statement by the Finance Minister, Government of India, Rajya Sabha (Upper House of Parliament), 30 August 1957.

Table 40. India: Balance of Payments on Current Account, 1951/52 to 1956/57
(Millions of rupees)

Item	*1951/52*	*1952/53*	*1953/54*	*1954/55*	*1955/56* [a]	*1956/57* [a]
Exports, f.o.b.	7,300	6,020	5,400	5,970	6,410	6,370
Imports, c.i.f.	9,630	6,330	5,920	6,840	7,510	10,760
Receipts from invisibles (net)	650	810	810	770	840	1,070
Current account (net)	–1,680	500	280	–100	–260	–3,320

[a] Preliminary.

The extent to which the liberal import policy during this period was responsible for the deficit in balance of payments in 1956/57 will be clear from the data for a few items. The amount spent on imports of cutlery, hardware and electrical goods in 1956/57 was Rs 530 million, or Rs 240 million in excess of the average annual import of these goods provided for in the foreign exchange budget for the second plan. Imports of fruit, vegetables and nuts[1] accounted for nearly Rs 200 million during this period. Similarly, imports of raw materials for the production of luxury or semi-luxury goods were also quite considerable. Imports of artificial silk yarn, for instance, which amounted to only Rs 79 million in 1952/53, accounted for as much as Rs 173 million in 1956/57. Imports of motor vehicles have not been allowed to go up, but imports of "parts of mechanically propelled vehicles and accessories", a large proportion of which is used for the assembling of passenger cars, have risen from Rs 63 million in 1953/54 to Rs 243 million in the first nine months of 1956/57.

It therefore seems clear that insufficient control of consumer demand for imports accounts in part for the large deficit in the balance of payments in 1956/57. Increased consumer demand has also, both directly and indirectly, cut into the amounts of some commodities available for export. Thus, exports of raw cotton fell by nearly Rs 220 million in 1956/57 compared to 1955/56, and of vegetable oils by over Rs 170 million.

A significant part of the imports of capital goods themselves appears to have been composed of machinery for consumer goods industries in the private sector. Thus, according to available customs data, imports of textile machinery have gone up by more than 60 per cent in 1956/57 compared to 1955/56. Similarly, imports of sugar manufacturing and refining machinery in the first nine months of the second plan period exceeded the total imports of similar machinery for the preceding six years. These imports reflect the impact on the foreign exchange market of some of the increase in private investment during this period, which, we have seen, was made possible largely through the expansion of bank credit.

Machinery and capital goods were allowed to be imported freely in 1956/57 for development schemes included in the plan, without perhaps adequate account being taken of the problems of phasing the proposed investment outlays. In some cases, such as steel, there was no detailed scrutiny of even the purposes for which they were being made, with the result that part of these imports appears to have gone into building in the urban areas.

This has had two consequences. In the first place, some of the imports of capital goods have been for schemes not included in the plan. More important, however, has been the fact that the private sector, by importing in the first 18 months of the plan period a larger portion of the capital goods necessary for the investment programme in this sector, has left a correspondingly smaller amount of foreign exchange available for the investment programme in the public sector. The impact of a foreign exchange shortage in the remaining period of the plan will therefore fall more heavily on the latter.

Part of the large imports of machinery by the private sector in the first two years of the plan may be due to under-estimation of its requirements in the original estimates in the foreign exchange budget of the plan. It is, however, clear that, even allowing for this factor, the private sector has succeeded in importing a larger proportion of its total requirements than the public sector.[2]

Apart from the factors contributing to the deficits in the balance of payments in the first two years of the plan period, some of the consequences must also be considered. The most important of these has been a sharp decline in India's foreign exchange reserves. The sterling balances of the country fell from Rs 7,460 million at the begining of the plan period to Rs 3,160 million by the middle of November 1957. The decline in reserves has in fact been even greater, since the credit facilities from the International Monetary Fund have also been drawn on during this period to the extent of Rs 900 million.

The sharp decline in reserves and the further deficits expected in the balance of payments have placed a serious strain on foreign exchange resources and, in turn, entailed certain revisions in the plan. According to a statement by the Finance Minister, no changes are to be made in the projects which form part of "the hard core of the plan"[3] (that is, the investment required for the steel plants, and for coal, railways, major projects and ancillary power), but there are likely to be adverse effects on some of the

[1] Part of these imports consists, however, of cashewnuts which are re-exported after being processed.

[2] The original estimate of the foreign exchange needed for investment in private industry over the period of the plan was Rs 3.5 billion. It has since been revised to Rs 4.5 billion. Taking into account the foreign exchange used by private industry in 1956/57, and the foreign exchange released and committed for private industry up to September 1957, it has been estimated that, with a further allotment of about Rs 400 million, some two-thirds of the industrial plan in the private sector will have been completed. (Statement by the Minister for Planning in the Lok Sabha, 13 September 1957).

[3] Statement by the Finance Minister, Government of India, in the Lok Sabha, 21 November 1957. Subsequently, the position appeared to be less certain, but the developments in January 1958 probably served to restore the determination not to disturb the "hard core".

Table 41. India: Foreign Assistance for the Second Five-Year Plan
(up to end of November 1957)
(Millions of rupees)

Source	Carry-over from first plan period (1)	New loans and grants April 1956–Nov. 1957 (2)	Amount utilized of (1) and (2)	
			April 1956–March 1957	April 1957–Nov. 1957
United States				
T.C.M. Programme:				
Grant	445	81	230	135
Loan	370	226	105	408
P.L.480:				
Grant	—	257	[a]	500
Loan	—	1,114	—	—
Loan from private banks to Air India International	—	53	...	...
Grants from Ford Foundation	33	15	4	5
TOTAL	848	1,746	339	1,048
International Bank				
Loans to public sector	30	456	23	268
Loans to private sector	219	654	222	
TOTAL	249	1,110	245	268
Soviet Union				
Grant for mechanized state farm	—	8	—	—
Loans for steel plant, heavy machine building, etc.	—	1,230	—	...
TOTAL	—	1,238	—	...
United Kingdom				
Loans from Government for steel plant	—	200	—	—
Grants from Government	4	—	1	2
Credits from British banks for steel plant	—	150	7	...
TOTAL	4	350	8	...
Canada				
Grants from Government	127	86	41	46
New Zealand, Norway and Australia				
Grants from Government	74	21	16	44
Total, all above sources	1,300	4,550	649	...

[a] Wheat, rice and cotton valued at Rs 394 million were imported during 1956/57 under the Agricultural Commodities Agreement. No loan or grant was received during the year from the rupee deposits with the United States Government.

power projects in the plan which are not ancillary to the projects in the "hard core", as well as on one or two of the proposed new fertilizer plants.

The shortage of foreign exchange is serious, although it is important also to understand the nature of the problem and not over-estimate its gravity. As noted earlier, a deficit of the order of Rs 11.2 billion in the balance of payments on current account was foreseen at the time the plan was framed. The bulk of this deficit, too, was expected to fall in the first three years of the plan period. At the same time, the estimated resources available or in sight to cover the deficits added up to only about Rs 4 billion. If further external aid did not become available to the required extent, there was bound to be a shortage of foreign exchange.

The deficits in the balance of payments in the first two years of the plan period have, however, substantially exceeded the original estimates. The deficit in 1956/57 was actually more than twice as high as was originally estimated, and the deficit in 1957/58 is also likely to be higher than estimated, though perhaps by a smaller margin. The factors which have contributed to these larger deficits are, in the main, the high rate of imports of capital goods stimulated by the boom in private investment, the liberal import policy followed in respect of consumer goods (and raw materials for producing these goods), the rise in prices of imported capital goods, and the larger imports for defence purposes.[1]

[1] There was also some under-estimation of investment costs, which affect the balance of payments.

The increase in the size of the deficits during this period may to some extent be offset by decreases in the remaining years of the plan (for instance, by the completion of the investment programmes in the private sector ahead of schedule), but, even allowing for this possibility, it seems likely that the total deficit over the period of the plan will go up from Rs 11.2 billion to around Rs 15 billion.[1] As a result, greater dependence on foreign aid than was originally contemplated, seems unavoidable.

As will be evident from table 41, the foreign aid that had become available for the plan up to November 1957 amounted to Rs 5,850 million (of which more than half remained unutilized up to that point). This does not include the credit of Rs 900 million received from the International Monetary Fund or about Rs 500 million of credit which became available by way of deferred payment arrangements between private parties.[2] A further amount of Rs 500-600 million seems likely to be supplied by western Germany as medium-term credit for one of the steel plants. Part of the credits may, of course, have to be repaid within the period of the plan. Taking into account, however, the fact that the sterling balances have already been drawn upon to the extent of over Rs 4 billion, it would seem that Rs 11 billion were available by the end of 1957 to cover a possible balance of payments deficit of about Rs 15 billion in the second plan period.

It would appear, therefore, that on the assumption of additional foreign aid of the order of Rs 4 billion becoming available over the remaining period of the plan, for projects included in it, the investment target in the plan may not need to be cut to any significant extent owing to a shortage of foreign exchange. But the problem of phasing the investment outlays in 1957/58 and 1958/59 so as to reduce the pressure on foreign exchange reserves in these two years may still prove to be serious. Most of the credit now available or being drawn upon are tied to specific import items, while a considerable part of the deficits in the balance of payments in these two years may be on other import items.

Moreover, even if the direct foreign exchange requirements of the investment programme in the plan are covered with the help of external assistance, the income and consumption targets in the plan will not be attained unless rising trends of production are established over a wider range of agricultural items. Failure to effect such an upward movement, particularly in regard to foodgrains, can accentuate the inflationary pressures in the economy and raise new and more difficult problems in the internal financing of the plan. The further mobilization of resources now required in order to achieve the second plan targets has therefore both an external and an internal aspect.

The latest indications are that, in its expectation of additional foreign assistance, India has not been disappointed. In mid-January 1958, it was announced that the United States had offered India an "economic aid package" of $290 million, consisting of a loan of about $225 million from the Development Loan Fund and Export-Import Bank, and surplus wheat valued at $65 million—the latter to be sold for rupees but the rupees given back to the Government of India for its use. Earlier, in January 1958, the United States Department of Agriculture had, under an amended agreement with the Government of India, authorized an additional purchase of surplus wheat and flour valued at $22,136,000. These developments have revived hopes that the targets of the plan need not be changed to any significant extent and that the "hard core of the plan" can be retained intact. Naturally, the larger part of the resources to achieve the targets have still to be raised internally, and must come from higher production within the country. In the course of the last year, more attention has been paid to this aspect of the problem also, with particular reference to agriculture.

But, while additional resources are thus being mobilized, both internally and externally, there will be continuous pressure on resources, caused by rising investment and consumption outlays. It is essential that prices should not be allowed to rise as a result.

CURRENT AND PROSPECTIVE PROBLEMS

It will be seen that India is now at a stage when the major assumptions underlying its entire approach to planned development are being put to test. The public sector has proved its capacity, in the last few years, both to plan and to execute large schemes of investment at a rapidly rising rate in its own sphere. The private sector in industry has also responded fully to the targets set for it. But progress in agriculture has lagged behind the requirements of the plan. Planning of investment outlays in relation to the available resources, and co-ordination between public and private investment programmes, have also not been fully achieved. There has therefore been considerable pressure on resourcs, both internal and external.

[1] This estimate of Rs 15 billion assumes that the ceiling on imports of foodgrains (placed originally at 6 million tons) will be maintained. If the recommendations of the Foodgrains Enquiry Committee, recently published, are accepted, additional imports of 6 to 9 million tons of foodgrains may be necessary over the remaining period of the plan, and the balance of payments deficit will presumably be larger.

[2] Up to the end of September 1957, as indicated in *International Financial Statistics*, the International Bank for Reconstruction and Development had loaned more money to India (about 324 million dollars) than to any other country in the world.

Some such pressure would have developed in any case in the present phase of the second five-year plan, but it has been aggravated by the shortfalls in agricultural production and by the deficiencies in investment programming referred to above. The problems that have come up will not necessarily force a major revision of the plan, in view of additional financial support received from other countries, but they will call for concentrated attention at points where weaknesses have come to light.

In agriculture, there was perhaps a tendency at an earlier stage to over-estimate, and take for granted, the achievements of community projects and the national extension services in raising productivity. This tendency is now being corrected. It has in practice been found that the stress in the past, in community development, has been more on welfare activities in the rural areas than on measures for raising productivity.[1] A revision of priorities, in this sphere, therefore seems likely in the near future. There is also evidence of greater emphasis on land reform which is essential to, and consistent with, the development programme in agriculture.

Within the framework of a mixed economy, changes of a haphazard character in price and wage relationships are also apt to distort the intended pattern of investment, production and consumption, and hamper a planned process of development, as has been demonstrated, to some extent, by the experience in India over the last few years. Attention is therefore being directed by the Government of India to the problem of maintaining the required stability in prices and price relationships.

One of the probable measures to be adopted in this context is the further extension of state trading in essential commodities at the wholesale level. The Foodgrains Enquiry Committee, appointed by the Government, has recently advocated "progressive and planned socialization of the wholesale trade in foodgrains".[2] The committee's bias, however, is against imposing full physical controls over distribution (in the sense of introducing a system of rationing and procurement of supplies) for maintaining price stability. Full physical controls are contemplated only "in cases of emergency like war or famine or extreme inflationary pressures".

Socialization of the wholesale trade, if accepted by the Government, is likely to be a long-term, rather than a short-term, remedy. Meanwhile, shortages are likely to develop as a result of the inadequate increase in production or of the tendency to hoard stocks when prices are rising. This danger is particularly great in the case of foodgrains. If rationing and government procurement of supplies are to be avoided in these conditions, dependence on imports is likely to increase. According to the Foodgrains Enquiry Committee, it is estimated that the country is likely to require 8 to 10 million tons of wheat and 4 to 5 million tons of rice from abroad during the second plan period — about 6 to 9 million tons more of foodgrains than originally budgeted for in the foreign exchange section of the plan.

Other, more long-term, problems are on the horizon. One concerns the national rate of saving, which needs to be raised markedly if the planned rate of investment is to be maintained without what would ultimately appear as a disproportionate degree of dependence on foreign capital. Another concerns geographical distribution of the fruits of progress. The second plan has made an effort to initiate development in geographic areas which have hitherto been more under-developed than others, but this is only a beginning. There are still considerable disparities in income and consumption levels, and even in rates of development, as between different regions in the country. The reduction of unemployment, and the rates at which additional employment is being created, are also very uneven. Problems thrown up by these factors will increasingly come into the picture, for the task India has set for itself is not only to attain a rapid rate of development in the economy as a whole, but to integrate the different sectors and regions and promote their balanced growth.

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[1] "The tendency in the past has been to stress the welfare activities more than the development activities. This is because the former are popular, easy of achievement, and impress the casual observer ...... The priorities as between the different activities should be: supply of drinking water; improvement of agriculture and animal husbandry; rural industry and health followed by all others...... An intensive programme of economic development will generate a demand for a programme of amenities. We are of the view that greater stress on the former, especially in the initial stages, will gradually lead to the latter". *Report of the Study Team on Community Development and the National Extension Services*, (November 1957). The team was appointed by the Committee on Plan Projects in April 1957. Similar views have also been expressed in the *Evaluation Report on Working of Community Projects and N.E.S. Blocks* (April 1957) by the Programme Evaluation Organization, Planning Commission.

[2] *Report of the Foodgrains Enquiry Committee* (November 1957), p.86.

Chapter 4

INDUSTRIALIZATION IN A CENTRALLY PLANNED ECONOMY (MAINLAND CHINA)

INTRODUCTION

Data available

Information on mainland China is derived almost exclusively from official sources and has serious limitations which have been pointed out repeatedly in previous issues of the *Survey* and which are still largely operative.

For one thing, the official point of view tends to emphasize the favourable developments and play down the others. This is understandable in a primarily agricultural country bent on developing its industrial strength in order to overtake other countries that rely on a different and ideologically antithetical system of economy. Preliminary figures may be revised when difficulties are no longer acute. For example, crop estimates may be scaled down after measures have been taken to cope with a shortfall. Or again, a low base year (such as 1949) may be chosen in order to inflate the relative increase of production in subsequent years, and the absolute figures may be given only when production has risen sufficiently to demonstrate progress. Confusion is also caused by frequent alterations in the choice of base year for the presentation of relative (percentage) changes in production; contradictory results may even appear, as has happened in the case of total values for foreign trade. In agricultural production, data after 1952 are not strictly comparable with earlier data; a part of the indicated subsequent growth of area and yield appears to be statistical, i.e. due to increased coverage. Problems are also created by the fact that data from mainland China, as now compiled, are often not comparable with those from other Asian countries, for example, on national income, foodgrain production and government budgets.[1]

In many instances it is possible that no reliable statistics exist. In most Asian countries, it is only in recent years that attention has been given to the continuous collection of basic data on a comparable, i.e. consistent, basis, and mainland China is no exception. This can be inferred from the fact that it was the 1955 official communiqué of the State Statistical Bureau (actually published in 1956) which made available for the first time statistical series—dating back to 1949, 1950 or 1952—on production, transport, domestic trade and wholesale prices.[2] This publication, while it represented a landmark in the availability of economic statistics on mainland China, still left much to be desired. It did not, for example, include series on money supply, the government budget, foreign trade and payments, and national income. The chairman of the State Economic Commission also published, in September 1956, his estimate of the growth rates of national income, capital accumulation and consumption for the period 1952-1956. Rough national income figures can thus be derived from the published proportions of government receipts in national income for corresponding years. However, the figure for 1956 arrived at on this basis is higher than an estimate by a noted economist, then president of the Peking University.[3]

Significant gaps in data, therefore, remain, notably in respect of commodity breakdowns for trade (except in 1950), of continuous series for money supply, cost of living and wages and, above all, of absolute figures for national income and capital formation. As a consequence, the inability to apply quantitative evaluation at a number of critical points still hampers the analysis of economic developments in mainland China.

Some points about planning

Notwithstanding these handicaps, a review of economic development in Asia would be incomplete if it did not cover the approach taken in mainland China. For that country is virtually the only one in the region which has adopted central planning,

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[1] On national income, see below, section on rates of economic growth and levels of consumption. As to foodgrain production, see United Nations, *Economic Survey of Asia and the Far East, 1954*, p.94, footnote 3. The practice in compiling foodgrain statistics in mainland China differs in several respects from that followed by the Food and Agriculture Organization of the United Nations (FAO). Thus, potatoes, after conversion by dividing their gross weight by four, are included in mainland China under "foodgrains", while they are excluded from the FAO compilation of "cereals"; and paddy, not rice, production is given in mainland China statistics, while FAO figures refer to rice production. The conversion ratio from paddy to rice is about 0.7:1. (For results of conversion to an FAO basis, see below, p.96, footnote 1).

[2] Other useful sources include the annual communiqués of the State Statistical Bureau (from 1952), the annual budget reports by the Finance Minister (from 1950), the Prime Minister's reports on government work to the various sessions of the First National People's Congress (from September 1954) and, beginning in 1957, the annual report by the chairman of the State Economic Commission.

[3] Ma Yin-chu, "A new theory of population", *People's Daily*, 5 July 1957.

and its total population is about equal to that of the rest of the region. Moreover, since, in the ultimate analysis, the generally accepted goal of economic development is the improvement in living standards of the common man, it is worth examining that issue as well as what progress has been achieved in regard to total output and capital formation.

Central planning, as appears from a study of mainland China and also in countries outside the region, presupposes a strong and highly centralized organizational structure. Subsequent experience may, however, show the need for a certain amount of decentralization, as has indeed already been observable in industry, commerce and finance in mainland China in November 1957.

Once a plan has been prepared, considered by the various ministries and departments, and approved by the Government, it becomes in effect a "directive", and all branches of the State, including the state enterprises, and all the people involved, have to attempt to fulfil the plan unconditionally. The central planner is thus at a great advantage in that he does not have to "sell" the plan to the people. This system does not, of course, preclude periodical re-examinations of the execution which enable the planner to detect any flaws in the original plan and to make modifications as he goes along. Central planning is probably more flexible than is commonly realized. This applies both to the five-year plan and to the longer (in mainland China, fifteen-year) perspective plan, which underlie all planning on a year-to-year basis.

System of priorities

Another familiar feature of central planning is the emphasis given to heavy industry. Its development is regarded as the core of socialist industrialization. The main reason adduced for this priority is that heavy industry produces capital goods, including "machines to make machines". This may be an important consideration for any developing country faced with a shortage of foreign exchange, but it is crucial for centrally planned economies to the extent that, in practice, limitations have been placed on their ability to import plant and machinery from outside. Heavy industry is believed to be self-accelerating after reaching a certain point. It is considered to be able to take advantage of the economies of large-scale production far more extensively than light industry, and help to build up the "external economies" so essential to industrial progress.

The emphasis on heavy industry may or may not entail the intensive development of transport. In the case of mainland China it does, since key minerals, for example, often have to be moved from out of the way areas.

The emphasis on heavy industry and transport is usually linked with a low priority for agricultural development. There are no obvious economic grounds justifying this relative neglect. Increased production necessarily requires investment of capital in agriculture no less than in industry. While crop yields may sometimes be raised substantially without much capital input by improved seeds or by insect and disease control, significant increases can in general only be attained by such measures as water conservancy works for flood control and irrigation, reclamation of new land, and the construction of fertilizer factories—all of which call for heavy investment.

Other aspects

It is the common experience of centrally planned economies that control is gradually developed over agricultural production and distribution. Whether this process is "collectivization" or "co-operativization", the result is the same. The process also facilitates control, not only over the marketable surplus of the peasant, but also over the price at which he buys his essential requirements.

In centrally planned economies, it is relatively easier to restrain the growth of consumption in relation to national income and to siphon off for further investment the greater part of the production increases in various sectors resulting from economic development. As a result, development in such economies can generally be financed to a greater extent with domestic capital. Yet, in the early stages at any rate, imports, especially of capital goods, are likely to be unavoidable. Such imports cannot be financed, as in other economies, by private foreign capital flows. The State, however, aided by its power to dominate the price mechanism, completely controls the direction and pattern of trade. In consequence, even at the cost of a heavy sacrifice, the import of capital goods and essential raw materials is, if necessary, paid for by exporting goods in short supply.

In the circumstances, inflationary pressures often arise. These are largely countered by imposing direct controls over both the price and the distribution of essential consumer goods. At the same time, the surplus purchasing power, which in other economies might produce the familiar competition for scarce goods, is held down by various devices. In mainland China this is done, for example, in the case of agriculture, by using state trading companies which buy from and sell to the peasants through their co-operatives and collectives, and in the case of industry by not allowing wages to rise in step with increased productivity.

OBJECTIVES AND SCOPE OF CENTRAL PLANNING

In mainland China, as in other countries with a similar approach, central planning is, to begin with, an instrument for achieving progressive socialization of the means of production. During the transition to socialism, commencing with the first five-year plan, the objectives are socialist industrialization and socialist transformation of the private sector in agriculture, handicrafts, industry and trade. Socialist industrialization, based on the establishment of state-owned industry, particularly heavy industry, is considered impossible without the socialist transformation of the private sector in other economic fields, since state-owned industry requires the co-ordination with, and support of, other branches of the national economy. To effect this transformation, a certain pace—or ratio—between the State and the private sector, has to be set in order to ensure the normal functioning of the economy without upsetting the fundamental relationship of supply and demand. This ratio, along with other ratios[1] for the national economic plan, must be laid down in accordance with the "law of balanced development of planned national economy".

In the preparation of the plan, three types of balance sheet are compiled: for materials, labour, and financial resources. In addition, some other subsidiary methods are used.

As noted earlier, once a plan has been approved by the State, it has force of law and all branches and enterprises must fulfil it unconditionally. For this reason, an examination of its execution is necessary so as to expose and remove any flaws or weak links in implementation, and to ensure that the plan is fulfilled in time. But the plan as originally drafted may not fully reflect the interconnexions and developments of the economic process as a whole, or relevant external developments, economic or otherwise. To ensure that these considerations are not neglected, the balance method is used in conjunction with other economic analysis and synthesis, and economic groupings and comparisons.

[1] These include "ratios" (most of which have not been published) between production and consumption, between consumption and accumulation, between output of means of production and output of means of consumption, between industrial production and agricultural production, between industrial and agricultural production and transport, between labour force and material resources, between average wages and the rate of growth of labour productivity, between available goods and money income of the people, between various regions of national economy, and between various economic elements. Although some of the relationships listed are presented in the form of ratios, several represent more complicated, often functional, relationships, rather than simple ratios. There are still others which are presented in the form of detailed balance sheets or matrices, e.g. the "ratio" between available goods and money income.

How planning was developed

Planning in mainland China started in 1949, when the Planning Bureau was a part of the Financial and Economic Committee of the Government Administration Council (later renamed State Council; in effect, the Cabinet). This arrangement continued for the whole of the period of economic rehabilitation till 1952.

In November 1952, the Government decided to set up the State Planning Commission. Two years later, a few of the State Planning Commission bureaux were split off and organized into a State Construction Commission. In May 1956, the State Planning Commission was charged with the task of perspective, or long-term, planning in addition to the preparation of five-year plans, while a newly created State Economic Commission was entrusted with the responsibility of preparing annual plans. In June of that year, the State Planning Commission had 23 departments and a staff of 1,500, of whom nearly a fifth were engineers and technicians.

The Commission is responsible for directing the planning organs of municipalities, autonomous regions and provinces, as well as ministries of the State, in the use of planning techniques. It prepares the plan for approval by the State Council and is considered the main organ, though assisted by the different offices of the State Council itself, in drafting important measures to achieve balance throughout the country. On the other hand, it also helps the offices of the State Council on all important measures within the scope of the plan which aim at guaranteeing its implementation. The State Statistical Bureau, set up in 1952, supplies, upon request, all factual data required to the Commission.

The State Construction Commission, established in October 1954, took over the technical work previously done by three large departments of the State Planning Commission concerned with designs, capital construction and perspective planning of cities. Implementation of the Construction Plan drawn up by the State Planning Commission is entrusted to it. There are three stages in the Construction Plan—the draft plan to be approved by the State Planning Commission, the design plan by the State Construction Commission to be approved by the ministry concerned, and the technical plan to be finally prepared and approved by the ministry.

All of the twenty-three provinces and the four autonomous regions (but excluding Tibet) have their own planning commissions, which constitute an integral part of the provincial councils under whose control they work, with over-all direction and guidance from the State Planning Commission. Similarly, the three municipalities of Peking, Tientsin and Shanghai have their own commissions.

The State Planning Commission has ruled that there should be planning commissions down to the base level. In rural areas, *hsien* or counties are considered as the lowest level for the purpose. Each of the 2,117 counties has its own planning organization. The size of the planning organizations at the county level depends on population, the degree of evolution of the local economy and the number of enterprises.

How planning is applied

All aspects of the plan, including its consolidation and presentation to the higher or lower levels, are completed through the two-tier system of planning commissions on the one hand and the corresponding planning organizations of ministries and provincial, municipal and county or *hsiang* (sub-county) administrations on the other. While responsibility for the preparation of provincial plans devolves on the respective departments of the provincial people's committees, the provincial planning commission is the ultimate authority which handles the draft as well as the final plans for submission to the State Planning Commission and to the ministry concerned at the centre.

The first major step towards plan formulation is the issue by the State Economic Commission of control figures[1] and directives, which take into consideration the political and economic tasks within the period of the plan, the targets of the plan for the country as a whole and for ministries, provinces, autonomous regions and municipalities, and other requirements for the preparation of the plan. Before these control figures are finally issued, however, a great deal of work has to be done by the local planning organs. Preparatory work for the annual plan starts as early as July of the preceding year and continues till the end of August, when the control figures are received from the State Planning Commission (since May 1956, from the State Economic Commission). This period of about two months is mainly devoted to the assessment of the work done during the first half of the current year, which serves as a basis for forecasting the achievements for that year as a whole and formulating a realistic plan for the coming year.

The other steps that follow may be seen from the time schedule for formulating the 1956 plan.

July-August 1955. Preparation of control figures.
August 1955. Issue of control figures by Planning Commission.
August-October 1955. Preparation of draft plans by ministries, provinces, municipalities, enterprises.
End-October 1955. Ministries and provincial governments send their plans.
November-December 1955. Planning Commission formulates the draft plan.
Mid-end January 1956. Conference called by Planning Commission.
1st week February 1956. Planning Commission makes necessary revisions in the original draft plan in the light of discussions at the conference.
Mid-February 1956. Draft plan (about 700 pages) printed and submitted to State Council.
End-February 1956. State Council approves the annual plan.

After its approval by the State Council, the plan goes back to the Provincial People's Committee, usually about March, and is passed on to the Provincial Planning Commission. That body again breaks it down to the level of bureaux, counties and municipalities and hands the component parts down through administrative channels. The bureaux, counties and municipalities in turn break down the targets for still lower levels. Individual state enterprises thus receive their plans before the end of March. Till they receive the final plan, they are authorized to work on the basis of the provisional plan which they themselves have suggested.

This plan is the direct one, but there are also indirect plans for enterprises still not under direct government control — the capitalist and individual private enterprises. The indirect plans are prepared by the departments in various provinces and municipalities which exercise supervision over the management of various private enterprises, and the control figures intended for such enterprises are handed over to the planning organizations of the municipality or the province, which in turn send the plan to the State Planning Commission for approval by the State Council. In its approved form, this plan is sent back to the departments concerned in the ministry, the province and the municipality, but not to the private enterprise itself. These indirect plans have, however, become more and more closely identified with the direct plans, especially since the virtual completion of socialist transformation in 1957, by which time the private sector had been largely brought within the orbit of state control.

Long range targets

A five-year period has been selected for drawing up a long-range plan in mainland China, partly, it is said, because, with present technological conditions, it takes about five years to design, construct and complete a major project like a hydroelectric dam, a railway line or a steel works. The broad political

[1] Key ratios etc.

and economic tasks before the country are, however, set by the fifteen-year perspective plan, the main responsibility for the preparation of which also rests with the State Planning Commission. When formulating its first five-year plan, mainland China had no perspective plan. The problem arose only when work started on the second five-year plan. At this point, it was found that account had to be taken of broad targets to be achieved not only at the end of the second plan (1962) but also at the end of the third plan (1967). Some twenty important items of industrial production were involved—items such as electricity, coal, petroleum, steel, cement, copper, aluminium, ammonium sulphate, motors and trucks, locomotives, cotton yarn, rubber tyres, paper and caustic soda. To these can be added targets in the draft programme for agricultural development (1956-1957).

THE PATTERN OF INDUSTRIALIZATION

The first five-year plan (1953-1957), completed in the year just ended, was submitted only on 5-6 July 1955 to the second session of the First National People's Congress and approved by it on 30 July. Proposals for the second five-year plan (1958-1962) were presented to the State Council on 27 September 1956 by the Communist Party of China, with the suggestion that the Council prepare a draft plan as soon as possible and submit it to the National People's Congress for consideration and decision.

The over-all targets under the first and second five-year plans reveal the emphasis placed on industrialization. During each of the two five-year periods, gross industrial production[1] is to be doubled, whereas gross agricultural (and subsidiary rural) production is to rise by about one-quarter during the first period, and by about one-third in the second (table 42). This divergent rate of increase in industrial and agricultural production was planned to result in a rise in the proportion of gross industrial production (including handicraft production) in total gross production, from 41.5 per cent in 1952 to 52.3 per cent in 1957, with a consequent decline in the proportion of gross agricultural production in the total from 58.5 per cent to 47.7 per cent.

Table 42. Mainland China: Planned Rates of Increase in Income, Production, Employment and Investment under Two Five-year Plans

(Percentages, unless otherwise stated)

Item	*1957 over 1952*	*1957 over 1952*	*1962 over original 1957*
	(original)	*(revised)*	
National income	...	...	50
Production (gross)	51.1	61.0	75
Agricultural, including subsidiary rural production[a]	23.3	26.4	35
Industrial production:[a]			
Including handicraft production[a]	90.3	...	100
Excluding handicraft production[a]	98.3	123.4	...
Employment (millions of additional employees over the five-year period)	4.2	...	6-7
Productivity of labour in government enterprises	64	...	50
Wages and income:			
Workers and employees: wages and salaries	33	...	25-30
Peasants' income	30	30	25-30
Investment in capital construction during the fiev-year period (million yuan)	42,740	47,722	85,480

Source: First Five-year Plan for the Development of National Economy in the People's Republic of China (in Chinese, hereafter referred to as First Five-Year Plan), published by the People's Press (Peking), mid-August 1955; Chou En-lai, "Report on the Second Five-Year Plan", (delivered to the Eighth National Congress of the Chinese Communist Party on 16 September 1956) in New China News Agency, Press Release (Peking), 20 September 1956; Chinese Communist Party, "Proposals on the Second Five-Year Plan for the Development of National Economy", New China News Agency, Press Release (Peking), 28 September 1956.

[a] The terms "industrial production", "agricultural production", "handicraft production" and "subsidiary rural production" require explanation for readers unfamiliar with the terminology used in mainland China. "Industrial production" refers to production from "modern industry", employing power-driven machinery in factories, as well as from handicraft *factories:* "Factory" is, however, not clearly defined. "Handicraft production" refers to production by handicraft producers' co-operatives and individual handicraftsmen. It excludes not only production from handicraft factories but also production from rural handicrafts carried on as supplementary employment by peasants in the countryside, known as "subsidiary rural production". "Agricultural production" includes subsidiary rural production as well as agricultural production itself. (*First Five-Year Plan, op.cit.*, pp.14,26,27).

[1] The terms used in national accounting in mainland China require special comment: (1) While net industrial production covers only the net value added, gross industrial production includes the value of raw materials and intermediate products consumed in the production process. Net industrial production is estimated at 34.3 per cent of gross industrial production, while net agricultural production is as much as 73.5 per cent of gross agricultural production. (Ma Yin-chu, "A new theory of population", *op.cit.*) It thus appears that the value of gross industrial production tends to be overstated in relation to the value of gross agricultural production, and also that the rate of growth of the two combined (or total gross production) tends to be overstated in time series, owing to the more rapid growth of the sector containing the substantial double counting. (2) National income, on the other hand, is defined more narrowly than in general usage, since it excludes all those services which are not deemed to be part of "production" in the Marxist sense. (3) Unlike gross production and national income, accumulation appears to be rather similar conceptually to its counterpart in western practice, net capital formation. For (2) and (3), see below, in the section on rates of economic growth and levels of consumption.

The greater emphasis on industry than on agriculture is reflected in the distribution of government investment in capital construction in the first five-year plan period, which reached 24.9 billion yuan for industry but only 3.3 billion yuan for agriculture, a ratio of 7.5 to 1.[1] However, if total government development expenditure[2] including not only capital construction but also current development outlays be taken as the criterion, the ratio between industry and agriculture stands at 5 to 1 (table 43).

Table 43. Mainland China: Distribution of Government Economic and Social Development Expenditures proposed under the First Five-Year Plan

Item	*Capital construction*		*Total*	
	Millions of yuan	*Percentage*	*Millions of yuan*	*Percentage*
Industry	24,850	58.2	31,320	40.9
Agriculture, water conservancy and forestry	3,260	7.6	6,100	8.0
Transport, telecommunications and postal service	8,210	19.2	8,990	11.7
Trade, banking and stockpiling	1,280	3.0	2,160	2.8
Municipal public utilities	1,600	3.7	2,120	2.8
Other items on economic construction	460	1.1	11,680[a]	15.2
Culture, education and public health	3,080	7.2	14,270	18.6
TOTAL	42,740	100.0	76,640[b]	100.0

Source: First Five-Year Plan, op.cit., pp.22-24.

[a] Including 6,900 million yuan for circulating capital, 3,600 million yuan for major repairs and 1,180 million yuan for others.

[b] Of this total, 74,130 million yuan are from the state budget, the remainder being "domestic capital mobilized by various economic ministries of the central government as well as various provinces and municipalities".

[1] However it should be noted that the increasing investment in fertilizer production (referred to below) is essentially an aid to agricultural development.

[2] The 1957 budget expenditure of the Central People's Government is classified under the following categories: economic construction expenditure; social, cultural and educational expenditure; defence expenditure; administrative expenditure; debt amortization and servicing expenditure; external aid expenditure; and other expenditure. Each category of expenditure covers outlays on capital construction (this is applicable to the first four categories only), operation of enterprises, and others. The term, economic and social "development expenditure", presumably includes certain operating and other non-capital outlays (in addition to capital outlays) in the economic construction expenditure and the social, cultural and educational expenditure categories. However, a precise definition is not available.

INDUSTRY

It has been noted earlier that heavy industry is the corner-stone of central planning. The emphasis on heavy industry has been repeated *ad infinitum* in the five-year plan and in public pronouncements from mainland China. The *Report on the First Five-Year Plan*[3] includes the following significant statement made by the Chairman of the State Planning Commission:

> "The industrial construction programme is the core of our First Five-Year Plan, and the construction of the 156 industrial projects with Soviet aid is in turn the core of the industrial construction programme. Within the period of the First Five-Year Plan, work will have begun on 145 of these 156 projects. . . . These industrial construction projects are large in scale and new in technique. Many of them are definitely first achievements in the history of Chinese industry."

The priority given to heavy industry is seen in the high rate of increase set for producer goods or "means of production" under the first five-year plan—126.5 per cent, as compared with 79.7 per cent for consumer goods, and 61 per cent for handicraft products. These rates of increase, subsequently revised upward for heavy industry or means of production, were reported to have been reached or exceeded (see table 44).

[3] Li Fu-chun, *Report on the First Five-Year Plan for the Development of National Economy*, published in Chinese in *People's Daily*, 8 July 1955 and in English as a supplement to *People's China*, 16 August 1955.

Table 44. Mainland China: Increases in Gross Industrial Output, 1954-1957 (1952=100)

Item	*1954*[a]	*1955*[a]	*1956*[a]	*1957*		
				Plan target[b]	*Revised target*[b]	*Actual*[a]
Industrial output	151.4	160.0	205.0	190.3	...	219.0
Industry	153.7	165.6	217.1	198.3	223.4	232.5
Means of production	163.8	191.8	271.9	226.5	290.2	304.3
Consumer goods	147.0	148.4	181.1	179.7	179.4	185.1
Handicraft	143.1	138.4	160.0	161.0	...	169.0

Source: Ta Kung Pao (Peking), 1 October 1957; Li Fu-chun, "Report on the achievements of China's First Five-Year Plan and Tasks and Policy for Future Socialist Construction", in New China News Agency, Press Release (Peking), 7 December 1957; *Ta Kung Pao* (Peking), 31 December 1957; *People's Daily*, 6 January 1958.

[a] At current prices. [b] At constant prices.

A detailed breakdown of industrial production, as given in table 45, shows an even higher target rate of increase for certain branches of heavy industry, such as crude petroleum, steel and chemical fertilizers than for heavy industry as a whole. Under the proposed second five-year plan, the target growth rate is boosted higher for coal, power and chemical fertilizers, although reduced for petroleum and steel. For machine tools, an almost fourfold increase is envisaged under this proposed plan. Under the first five-year plan, the original plan target contemplated a slight decrease, although the revision showed an increase of 74 per cent. The original plan targets are reported to have been exceeded or reached in 1957 for all items except crude petroleum, for which the target was substantially lowered.

In light industry, the targets for cotton textiles, edible oil and paper were exceeded by the end of 1956, but 1957 production of cotton textiles fell on account of a shortfall in the cotton crops for the previous year. Sugar production is reported to have fallen short of plan targets, also because of a shortfall of the required raw material.

Transport

Transport development under the first five-year plan was accorded an emphasis lower than industry but higher than agriculture, receiving 19.2 per cent of total government investment for capital construction, although only 11.7 per cent of the Government's total development outlay. As noted earlier, the establishment of a transport network is a prerequisite in mainland China for the development of industry, particularly heavy industry, in otherwise inaccessible undeveloped or under-developed areas rich in key mineral deposits such as coal, iron ore and oil. These areas, mostly in the northwest and southwest, are also near the other centrally planned economies including the Soviet Union, Outer Mongolia, northern Korea and northern Viet-Nam. One of the primary tasks under the first and the proposed second five-year plans is the development of a transport system in these areas, in addition to the expansion of the transport system already developed in other parts of the country, particularly northeast and central China.

Table 45. Mainland China: Production of Major Industrial Items, 1952, 1956, 1957 and 1962 (target)

Item and unit	*1952*	*1956*	*1957*	*Targets*				
				1957		*1962*[b]	*1957*[a] *over 1952*	*1962*[b] *over 1957*[a]
				Five-year plan	*Revised*		*(in percentages)*	
Power (1,000 million kWh)	7.3	16.6	19.0	15.9	18.9	44	218	276
Coal (million tons)	63.5	105.9	123.9	113.0	117.3	230	185	204
Petroleum, crude (million tons)	0.44	1.16	1.44	2.01	1.50	5-6	455	275
Steel (million tons)	1.35	4.47	5.24	4.12	5.00	12	305	291
Chemical fertilizers (million tons)	0.19	0.66	0.75	0.58	0.75	7	322	1,207
Machine tools (1,000 units)	13.7	26.0	29.1	13.0	22.6	60-65	95	481
Cement (million tons)	2.9	6.4	6.7	6.0	6.8	12.5	207	208
Timber (million cubic metres)	10.0	24.5	29.2	20.0	25.0	31-34	200	163
Cotton yarn (million bales)[c]	3.6	5.2	4.62	5.0	4.6	8-9	139	170
Cotton cloth (million bolts)[d]	111.6	170.8	156.2	163.7	156.2	235-260	147	151
Sugar (million tons)[e]	0.45	0.80	0.84	1.10	0.87	2.4-2.5	204	223
Salt (million tons)	4.9	...	8.1	7.6	...	10-11	153	140
Edible vegetable oil (million tons)	0.98	2.32	2.32	1.79	...	3.1-3.2	183	176
Paper (million tons)[f]	0.37	0.75	0.91	0.66	...	1.5-1.6	241	174

Source: State Statistical Bureau, *Communiqué on the Results of Implementing the Plan for the Development of National Economy in 1955*, Statistical Publications Press (Peking), June 1956, in Chinese, hereafter referred to as the *1955 Communiqué;* Po I-po, "Working of the National Economic Plan for 1956 and Draft National Economic Plan for 1957", in New China News Agency Press Release (Peking), 1 July 1957; Chinese Communist Party, *op.cit.;* Li Fu-chun, *op.cit.; Ta Kung Pao* (Peking), 31 December 1957.

[a] Original plan targets, as given in the first five-year plan.

[b] The 1962 targets, originally fixed on 28 September 1956, were revised on 7 December 1957, upward for coal, power, steel and chemical fertilizers but downward for cement. Downward revisions were also proposed for crude petroleum and machine tools, without however giving changes in targets originally fixed on 28 September 1956. In the computation of the rate of increase, the average has been taken wherever both minimum and maximum targets are given in the source.

[c] 1 bale = 400 pounds.

[d] Including factory woven cloth and handicraft cloth wholly or partially woven from machine spun yarn, for which one bolt is equal to about 32 metres.

[e] Including hand-made sugar.

[f] Machine-made paper only.

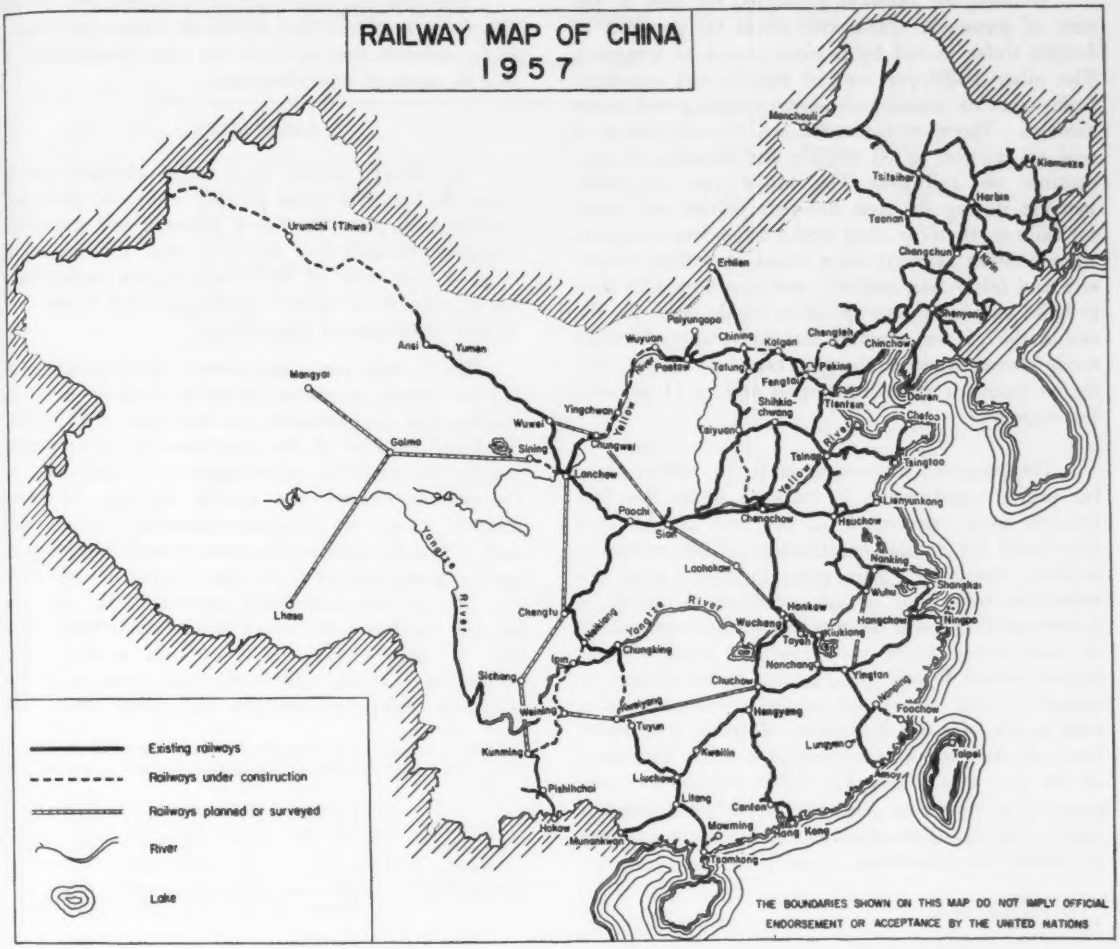

Table 46. Mainland China: Traffic Targets under the First Five-Year Plan

Item	*Passenger (millions of passenger-kilometres)*			*Freight (millions of ton-kilometres)*		
	1952 (actual)	*1957 (target)*	*Percentage increase (1957 over 1952)*	*1952 (actual)*	*1957 (target)*	*Percentage increase (1957 over 1952)*
Railway	20,000	32,000	60	60,100	120,900	101
Inland shipping[a]	1,900	3,410	79	3,600	15,290	322
Coastal shipping	185	438	137	3,660	10,639	190
Motor vehicles	1,910	5,730	194	670	3,210	374
Civil aviation	24	91	279	2.4	8	231

Source: First Five-Year Plan, op.cit., pp.94-95.

[a] Including transport by steamboats but excluding junks.

In 1952, the railways accounted for over 80 per cent of passenger traffic and about 90 per cent of freight traffic moved by modern means of transport. The other 10-20 per cent of freight and passenger traffic went by inland and coastal shipping and motor vehicles. The need for speed and the abundance of coal in relation to oil explain the decision to concentrate on railways. The target rate of traffic increase during the first five-year period was lower for railways than for other modes of modern transport, since existing railways were already relatively extensive and fairly fully utilized, and new lines take time to build and bring into operation (table 46). By the end of 1957, it was reported that the volume of freight traffic moved exceeded the plan target by 14 per cent for all means of modern transport and by 11 per cent for railways.[1]

The proposed investment of 5,670 million yuan for capital construction in railways under the first five-year plan constituted 72 per cent of the total investment for capital construction of all modes of modern transport.[2] This sum, however, does not reflect the magnitude of the operations involved, as it does not fully cover the real cost of the huge volume of track-laying work performed by surplus rural labour, armed forces, and "labour under reform or custody". The plan proposed the construction of a total length of 4,084 kilometres of trunk and feeder lines, of which trunk lines constituted 3,284 kilometres or 80 per cent. Actually, 4,920 kilometres were reported to have been built by the end of September 1957. The second five-year plan proposes the building of 8,000-9,000 kilometres.

[1] Li Fu-chun, *op.cit.*

[2] *Five-Year Plan, op.cit.*, p.84.

The new railways built or proposed are located largely in northwest and southwest China (see map). It is probable that some of the new construction is due to strategic considerations.

AGRICULTURE

As already noted, agricultural development is generally accorded a low priority in central planning, and takes its place far below industry and transport. Mainland China's first five-year plan allocates to it only 7.6 per cent of the Government's expenditure for investment in capital construction and 8 per cent of total development expenditure.

Under that plan, agricultural development was not to depend on capital-intensive measures such as reclamation, mechanization, or extensive use of chemical fertilizers, but on the improvement of unit area yields (by methods other than large-scale use of chemical fertilizers) and on the extension of sown area by means of irrigation, generally on a small scale. For foodgrains, the plan proposed an expansion in sown area of 2 per cent (being already 78.4 per cent of the total sown area in 1952) and an increase of 15 per cent in per hectare yield (table 47). For all other crops, which in 1952 occupied the remaining 21.6 per cent of the total sown area, the proposed expansion was 26 per cent,[3] while the

[3] The actual rise in the proportion of total crop area (as distinct from sown area) devoted to non-foodgrain crops is reported as follows:

	1952	*1953*	*1954*	*1955*	*1956*
Foodgrains	79.5	79.3	78.6	78.4	78.1
Soya beans	8.3	8.6	8.6	7.6	7.6
Industrial crops	8.8	8.1	8.4	9.2	9.2
Other crops	3.4	4.0	4.4	4.8	5.1
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Statistical Bulletin, op.cit.

Table 47. Mainland China: Sown Area and Yield per Hectare of Agricultural Crops, 1957 targets as compared with 1952 actuals

Item	*Sown area (millions of hectares)*			*Yield (kilogrammes per hectare)*		
	1952 actual	*1957 target*	*Ratio of 1957 target to 1952*	*1952 actual*	*1957 target*	*Ratio of 1957 target to 1952*
Foodgrain crops	112.3	114.9	1.02	1,375	1,580	1.15
Paddy	28.4	29.6	1.04	2,409	2,762	1.15
Wheat	24.8	26.7	1.08	731	888	1.22
Coarse grains[a]	50.4	48.8	0.97	1,022	1,123	1.10
Potatoes	8.7	9.8	1.13	1,877	2,173	1.16
Soya beans	11.7	12.7	1.09	814	883	1.08
Industrial crops	11.9	15.1	1.27	...	...	...
Cotton, raw	5.6	6.3	1.13	234	260	1.11
Jute and mesta	0.16	0.14	0.88	1,937	2,643	1.36
Tobacco, flue-cured	0.186	0.28	1.51	1,183	1,393	1.18
Sugarcane	0.18	0.27	1.50	39,555	48,815	1.23
Sugarbeet	0.035	0.14	4.00	13,714	15,286	1.11
Oilseeds	5.7	7.9	1.39	...	...	...
Others	5.4	8.8	1.63	...	...	...
TOTAL	141.3	151.5	1.07	...	...	...

Source: First Five-Year Plan, p.80.

[a] Including kaoliang (sorghum), millet, proso-millet, maize, barley and oats.

Table 48. Mainland China: Crop Production, 1952, 1956, 1957 and 1962

(Millions of tons)

Item	1952	1956	1957	1957 target: Plan	1957 target: Revised	1962 plan target
Foodgrains	154.4	182.5	185.0	181.6	191.0	240.0[a]
Paddy	68.4	82.5	...	81.8	...	...
Wheat	18.1	24.8	...	23.7	...	...
Coarse grains	51.5	53.4	...	54.8	...	...
Potatoes	16.3	21.8	...	21.3	...	...
Soya beans	9.5	10.2	9.7	11.2	...	12.5
Industrial crops:						
Cotton, raw	1.30	1.45	1.64	1.64	1.50	2.15[a]
Jute and mesta	0.31	0.26	...	0.37	...	...
Tobacco, flue-cured	0.22	0.40	...	0.39	...	...
Sugarcane	7.1	8.7	13.2	13.2	...	...
Sugarbeet	0.48	1.65	1.7	2.14	...	...
Peanuts	2.3	3.3	...	...	...	...
Rapeseeds	0.9	0.9	...	...	...	...

Source: State Statistical Bureau, *1955 Communiqué* and *1956 Communiqué, op.cit.;* Po I-po, *op.cit.; First Five-Year Plan, op.cit.;* Chinese Communist Party, *op.cit.;* "A brief description of China's agricultural production in 1949-1956", in *Statistical Bulletin*, No. 14, 29 July 1957; New China News Agency, Press Release (Peking), 23 October 1957.

[a] Revised downward on 7 December 1957 from the original targets fixed on 28 September 1956 of 250 million tons for foodgrains and 2.4 million tons for raw cotton.

proposed increase in per hectare yield varied from 8 per cent for soya beans and 11 per cent for raw cotton and sugarbeet to 18 per cent for tobacco, 23 per cent for sugarcane and 36 per cent for jute and mesta.

By 1956, a year before the end of the plan, the targets originally set for foodgrain production were reported to have been slightly exceeded,[1] but those for industrial and other crops except tobacco had not yet been fulfilled. As a result, the 1957 targets were raised somewhat for foodgrains, and lowered for raw cotton and perhaps others (table 48).

The reported average annual rate of increase in foodgrain production during the first four years (1953-1956)—4.3 per cent—was less than that for most other crops. Soya beans and raw cotton, however, had lower rates of increase, while rapeseed production in 1956 fell below the 1952 level by one per cent and jute and mesta production by over 16 per cent (table 49).

Table 49. Mainland China: Changes in Annual Rate of Crop Production, 1953-1956

(In percentages)

Item	1953	1954	1955	1956	Annual average 1953-1956
Foodgrains	1.6	2.3	9.0	4.4	4.3
Paddy	4.2	–0.6	10.1	5.7	4.8
Wheat	0.9	27.6	–1.6	8.0	8.2
Coarse grains	–1.6	–2.8	11.5	–2.8	0.9
Potatoes	2.0	2.0	11.3	15.6	7.6
Soya beans	4.3	–8.6	0.4	12.2	1.8
Industrial crops:					
Cotton, raw	–9.9	–9.3	42.6	–4.8	2.6
Jute and mesta	–54.9	–0.9	87.9	0.4	–4.1
Tobacco, flue-cured	–4.0	9.0	28.4	34.0	15.8
Sugarcane	1.3	19.2	–5.6	6.7	5.8
Sugarbeets	5.6	95.8	61.4	3.1	36.2
Peanuts	–8.1	30.1	5.7	14.0	9.6
Rapeseeds	–5.7	–0.1	10.4	–4.8	–0.2

Source: Statistical Bulletin, op.cit.

[1] The excess in 1956 foodgrain production over the 1957 target is, contrary to the expectations under the five-year plan, reflected in table 47, due more to expansion of sown area (10.5 per cent in 1956 over 1952) than to rise of per hectare yield (7 per cent in 1956 over 1952). This may be attributed mainly to the expansion of irrigated area from 23.3 million hectares in 1952 to 37.3 million hectares in 1957 (Li Fu-chun, *op.cit.*).

Crop production depends not only on government measures for improvement, but also—and no doubt primarily, even today—on weather conditions. On account of floods, foodgrain production rose only slowly in 1953 and 1954, reportedly by 1.6 and then by 2.3 per cent, while soya bean production, after rising by 4.3 per cent in 1953, fell by 8.6 per cent in 1954. Production of a number of industrial and other crops, especially raw cotton, jute and mesta and rapeseeds, fell in both years. The rising trend of sugarcane and sugarbeet was exceptional. On the other hand, 1955 was a bumper crop year because of good weather, with a sharp rise in output of most crops. In 1956, another flood year, the production of foodgrains (other than coarse grains) and of other crops except raw cotton and rapeseeds is reported to have shown at least a moderate increase, owing—it is said—to the "high tide of agricultural co-operation".

The latest estimates indicate that the 1957 grain output increased, by 1.4 per cent over the 1956 level, to 185 million tons, but was 6 million tons short of the year's goal. It is also reported that the year's production of soya beans, mainland China's most important cash crop, fell by nearly half a million tons compared with 1956. On the other hand, there was a record cotton harvest of 1.64 million tons. In spite of falling short of the target, the grain harvest figures (which includes potatoes) is the highest yet recorded in mainland China.[1]

On the whole, the original goals set under the first five-year plan for crop production were, by the end of the period, slightly exceeded for foodgrains, just attained for raw cotton, tobacco and sugarcane, but not reached for other crops, particularly soya beans.

In livestock production, the plan goals failed to be attained in all cases by fairly large margins, as is shown in table 50.

In 1957, as compared with 1956, cattle, donkeys and mules are reported to have declined by 970,000, 430,000 and 40,000 head respectively, while horses rose by 140,000 head. On the other hand, hogs, and to a lesser extent, sheep and goats, rose considerably. The decline in the cattle population during 1957, attributed among other causes to an irrational policy of under-valuation of members' cattle by the co-operatives and collectives, has adversely affected agricultural production in view of its primary dependence on non-mechanical sources of power, particularly draft animals.

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[1] New China News Agency, Press Release (Peking), 7 December 1957. The official foodgrain production statistics for 1952 to 1957 as shown below, if adjusted according to FAO definitions (cf. above, page 84, footnote 1) could give a total of 136 million tons for 1956, as compared with the official total of 182.5 million tons, owing to the exclusion of potatoes and conversion of paddy into rice.

(millions of tons)

Year	Rice: Original paddy	Rice: Adjusted[a] (milled)	Wheat (Original)	Coarse grains (Original)	Total: Original	Total: Adjusted[a]
1952	68.4	47.9	18.1	51.5	138.1	117.5
1953	71.3	49.9	18.3	50.7	140.2	118.9
1954	70.9	49.6	23.3	49.3	143.5	122.2
1955	78.0	54.6	23.0	54.9	155.9	132.5
1956	82.5	57.7	24.8	53.4	160.7	135.9
1957	...	...	...	...	162.9[b]	...

[a] Original statistics in terms of paddy production are adjusted according to the conversion rate of 0.7 to 1 for rice to paddy.

[b] Based on the rate of increase in foodgrain (including potato) production in 1957 which is 1.37 per cent.

Table 50. Mainland China: Livestock Population, 1952, 1956, 1957 and 1962 (target)

(In thousand head)

Item	1952	1956 (midyear)	1957	1957 target	1962 target
Major livestock	76,180	87,670	84,270	97,870	...
Cattle	56,600	66,750	...	73,610	...
Horses	6,130	7,410	...	8,340	...
Donkeys	11,810	11,800	...	13,950	...
Mules	1,640	1,710	...	1,970	...
Sheep and goats	61,780	92,130	97,690	113,040	...
Hogs	89,770	84,110	125,000	138,340	220,000
TOTAL	227,730	262,910	306,960	349,250	...

Source: *Five-Year Plan, op.cit.; Current Events*, No.1, 6 January 1957; *Ta Kung Pao* (Peking), 20 December 1957 (Statement by Teng Tzu-hui, Director, Rural Works Department, Central Committee of the Chinese Communist Party to the Animal Breeding Conference).

HOW THE STATE CONTROLS THE ALLOCATION OF MATERIAL RESOURCES

In a centrally planned economy, the State aims at complete control of all resources—human, material and financial. The method for allocating them adopted in mainland China is the compilation and execution of balance sheets for all three categories. The present section will be confined to an analysis of state control over the allocation of material resources. Labour and finance will be dealt with later.

If control is to be exercised over the production and distribution of material resources, the various sectors of the economy, led by the state sector, have to be brought within the orbit of state control, under what is generally known in mainland China as the process of socialist transformation or "socialist revolution". This covers the transfer of capitalist industry and commerce to joint state-private ownership, the co-operative organization of individual handicrafts and the collectivization of agriculture. This process, described in earlier issues of the *Survey*, is reported to have been consummated early in 1957, and is summed up by Premier Chou En-lai in his "Report on the Work of the Government" to the fourth session of the First National People's Congress on 26 June 1957, in the following terms:

> "The year 1956 saw the virtual completion of the socialist transformation of private ownership of the means of production in our agriculture, handicrafts and capitalist industry and commerce. Peasant households numbering 120 million and handicraftsmen numbering over 5 million went over from individual economy to collective economy. Some 70,000 private industrial enterprises have come under joint state-private management. Nearly two million big, medium-size and small commercial establishments have been turned into state-private stores, co-operative stores and co-operative groups or transformed into state stores. This is a great socialist revolution, changing the old system of private ownership of the means of production which has lasted several thousand years into a system of public ownership."

In the socialist transformation of agriculture, the process of development was from mutual aid teams to co-operatives of a "semi-socialist" type and then on to co-operatives of the "socialist" type. The distinction between the two is that the "semi-socialist" or co-operative type allows private ownership of land and other means of production, but pools the use of land on a share basis, whereas the "socialist" or collective type operates on the basis of full collective ownership of land and other means of production. The former system pays returns to members for both land ownership and labour contribution, the latter for labour contribution only.

In the socialist transformation of handicrafts, the process of development was from small supply and marketing groups, characterized by scattered production and joint management, to large handicraft co-operatives.

The socialist transformation of capitalist industry and commerce went through the process of development from government contracts, placed with private enterprises for processing and manufacturing goods, to state bulk purchase and marketing of their products, and to transformation, first into joint state-private enterprises in individual cases, and then by whole trades or categories.

These three socialist transformations were carried out in co-ordination with each other, and were completed about the end of 1956 and the early part of 1957.

State control over production and marketing of agricultural commodities is essential for two reasons: (1) it enables the State to supply foodgrains to workers and raw materials to light or consumer goods industry; (2) it facilitates the export of agricultural commodities and thus helps to finance the major portion of developmental imports.

Control over both production and distribution of agricultural commodities began with foodgrains, in 1953. By a directive of November of that year, grain distribution was made virtually a state monopoly, and the State took over the provision of food to the non-agricultural and non-grain-producing population. In 1954, following the great flood on the Yangtze and Hwai rivers, it was felt necessary to tighten the control over foodgrains, and, in the spring of 1955, the Government introduced a new policy. Under regulations as modified in August 1955, farm households are divided into three categories: surplus, deficit and self-sufficient. Surplus foodgrain households have to sell to the State a fixed surplus above estimated consumption and state grain levy, which may be increased in years of good harvest. Deficit households, mainly growers of industrial crops such as raw cotton, can purchase a fixed amount from the State to make good their deficit. The self-sufficient category neither sells foodgrains to, nor buys it from, the State.

A directive on agricultural products other than foodgrains was issued in March 1954 providing for "unified purchase" by the State of cotton, oilseeds, tea, tobacco, ramie, jute, mesta, silk cocoons, raw silk and wool. This system of "unified purchase" has continued, but, for oil-bearing seeds and raw cotton, where finished products have been subject to rationing, the system of "planned purchase" has been applied as in the case of foodgrains. The implementation of

either planned or unified purchase of agricultural products entails the breakdowns of national targets, by various stages, to the co-operative or collective level, and the fixing of accurate targets at the lowest level. This is a difficult task, and may involve hardship for the producers. In 1956, because of the low procurement prices fixed by the State for the purchase of non-staple food and industrial raw materials other than raw cotton, peasants either reduced their output or shifted to the production of more profitable items. As a result, the Government had to raise the procurement price for certain commodities.

Table 51 summarizes the state collection and purchase of foodgrains and soya beans. It will be seen that, between 1954/55 and 1956/57, the proportion collected and purchased by the State declined from 31.8 per cent of total production to 25.6 per cent. While this drop has perhaps eased the lot of the agriculturist, it has posed a serious problem for the State, since it has repercussions on industrialization financed largely through trading in agricultural commodities.

Table 51. Mainland China: State Collection and Purchases and Sales of Foodgrains,[a] 1954/55 to 1956/57

(Millions of tons)

Item	*1954/55*	*1955/56*	*1956/57*
Total output	169.5	184.0	192.8
State collection and purchase	53.9	52.1	49.7
State sales to rural areas	27.4	20.3	24.5
State retention after sales to rural areas	26.5	31.8	25.2
State sales to urban areas	19.9	19.2	21.0
Reserve for exports, stocks, etc.	6.6	12.6	4.2[b]

Source: Chou Po-ping, "The policy of purchase and sale of foodgrain shall not be frustrated", in *Grain*, No. 7, July 1957 (in Chinese).

[a] Figures here include soya beans.

[b] In 1956/57 state grain stocks are reported to have declined by more than 3 million tons (*Grain*, No. 8, August 1957).

In the industrial field, apart from the capital goods industry, which is largely in the hands of state enterprises, control over consumer goods industry was exercised through the assignment of processing jobs to private industry by the State, state orders to private industry for manufactured goods, the state purchase of privately manufactured products and the underwriting of the total output of private industry by the State. The value of goods involved in such arrangements was 811 million yuan in 1949 and 8,121 million yuan in 1954—a tenfold increase in six years—but fell to 5,935 million yuan in 1955, owing to the transformation of private industry into joint state-private industry. Its proportion to the total value of output of private industry rose from 12 per cent in 1949 to 79 per cent in 1954 and 82 per cent in 1955.

State control over production and distribution of industrial products was increasingly exercised through joint state-private enterprises, which were first used in large industrial enterprises, but gradually extended to medium and small ones. By 1956, the process was almost complete. The value of output of these joint industrial enterprises rose from 220 million yuan in 1949 to 7,188 million yuan in 1955—a 33-fold increase in seven years—or from 2 per cent to 13 per cent of the value of total industrial output.

In 1956, there was a general shortage of subsidiary food items, such as meat and egg products; of other consumer goods, such as cotton yarn and cloth, woollen cloth, leather shoes, paper, bicycles and radios; and of producer goods, such as pig-iron, steel, timber and cement. This mal-adjustment between supply and demand for a number of commodities led to the establishment of free markets operated under the leadership of state commercial enterprises or supply and marketing co-operatives. The effects were: to allow (1) peasants to sell, in towns, their own production of minor local products, and products from their secondary occupations; (2) petty merchants to deal in goods not under state control in trade between urban and rural areas; and (3) producers to transact business direct with consumers and *vice versa*.

By early November 1956, state-led free markets were reported to have been established in as many as nine provinces—Fukien, Hopei, Hupeh, Kiangsi, Kiangsu, Kwangtung, Shansi, Shantung and Szechwan. These markets dealt mainly in subsidiary food items, such as vegetables, fish and poultry, herb medicines and minor local products. In the same year, there was also proposed the policy of "free and selective" purchase by state commercial departments from state- and joint state-private industrial enterprise. Under this system, the only goods to be procured by the State under fixed contracts were staple manufactured goods, such as sugar, cotton yarn and cloth, paper, coal, cigarettes, matches, which are relatively limited in variety and uniform in quality, and for which the quantity of production of different grades can be easily planned. Other manufactured goods—which are usually produced in small quantities and for which quality is important—were to be procured by the state commercial departments freely from whatever factories engaged in their production. In this way, a greater variety of better consumer goods might be produced at appropriate prices to meet the diversified demand. It was estimated, however, that the proportion of manufactured goods placed on a selective purchase basis would not exceed 20-30 per cent of the total value of sales by state commercial agencies.

In a recent official analysis of the statistics available, it was found that the proportion of free market sales in total wholesale and retail trade declined from 36 per cent in 1953 to 25 per cent in 1954, 21 per cent in 1955 and 18 per cent in 1956. The proportions of commodities sold on the free market have also changed. The share of industrial products (wholesale and retail) fell from 25 per cent of the total in 1953 to 15 per cent in 1956, while agricultural and handicraft products rose from 59 per cent and 16 per cent, respectively, in 1953 to 65 per cent and 20 per cent in 1956.[1]

On 9 August 1957, the State Council reversed its policy decision of 1956 to tolerate limited free markets in grain and most subsidiary food products, by issuing new regulations prohibiting the sale in free markets of all items under "planned purchase" or "unified purchase". Grain and most farm products were removed from free markets. Poultry, eggs and a few minor items could still be traded in the free markets but even these items could, if the supply should become short, be removed from open sale and declared under "unified purchase" by provincial governments. On 11 October, the State Council in its "Supplementary Regulations Regarding Unified Purchases and Sales" indicated that "free markets in grains, recently stopped, are now permanently banned".

HOW DEVELOPMENT IS FINANCED

General

Capital accumulation, or net capital formation,[2] is reported to have risen from 13.8 billion yuan in 1953 to 17.6 billion yuan each in 1954 and 1955, and 18.9 billion yuan in 1956, representing on the average about 20 per cent of national income. In the meantime, in gross terms, state investment in capital construction for economic and social development, defence and administration reached 6.5 billion yuan in 1953, 7.5 billion yuan in 1954, 8.6 billion in 1955, and 14.0 billion yuan in 1956. This sharp rise in investment, however, caused inflationary pressure, and it was accordingly planned in 1957 to reduce the total to 11 billion yuan, although actual gross investment in state capital construction is reported to have been 11.89 billion yuan.[3] As a result, net capital formation probably also fell considerably in 1957.

Gross state investment in capital construction in the above categories over the five-year period is thus estimated at a total of 48.5 billion yuan. The portion devoted to economic and social development is reported to have reached, by September 1957, a sum of 43.2 billion yuan which exceeds the plan total by about one per cent. Of this sub-total, 32.3 billion yuan, or 74.5 per cent, is given as representing fixed capital investment.[4]

No data are available showing gross state investment for economic and social development by fields. However, breakdowns have been published showing the distribution of total state expenditure on economic and social development, 56 per cent of which was allocated to gross investment in capital construction. To judge by the plan figures (table 43), a breakdown of the capital construction data, if available, would show considerably greater proportionate emphasis on industry, transport and communications, than these total development expenditures indicate, and considerably less emphasis on "other economic construction" and on culture, education and public health.

It may be noted from table 52 that the reported excess of actual over planned development expenditure during the five-year period is nearly 12 per cent. The excess percentage is the highest (213 per cent) for trade, banking and stockpiling, probably owing to the expansion of state procurement and rationing. Next come the expenditures on agriculture, forestry, and water conservancy (37 per cent above target) and on culture, education and public health (also 37 per cent), on both of which the original plan allocation was perhaps relatively low. The excess percentage is higher for transport, telecommunications and postal service (18.7 per cent) than for industry (6.7 per cent), primarily on account of expansion in the railway construction programme and the already heavy emphasis on industry in the original allocation. To compensate in part for these various increases in actual over originally planned development outlay in all these fields, the amount for other items of economic construction (including municipal public utilities) has been reduced by one-half.

Under the second five-year plan, state investment in capital construction is to be doubled—85.5 billion yuan in all, as against 42.7 billion yuan for the first five-year plan. The share of industry is to be raised from 58.2 per cent of total capital construction under the first plan (table 43) to approximately 60 per cent, and that of agriculture from 7.6 per cent of the total to 10 per cent. In addition, there are to be "proper allocations" of investments for transport, telecommunications and postal service and for culture, education and public health.

Although details on the breakdown of investment have not been given, the ratio of investment between heavy and light industry is to be lowered from 8:1

[1] *Statistical Bulletin*, No. 11, 14 June 1957.

[2] For definitions, see below in the section on rates of economic growth and levels of consumption.

[3] This is derived from the total sum of state investment in capital construction of 48.49 billion yuan for the five-year period (1953-1957), as reported by Li Fu-chun, *op.cit.*

[4] *Ta Kung Pao* (Hong Kong), 3 October 1957.

Table 52. Mainland China: Proposed and actual distribution of Government Development Expenditures under the First Five-Year Plan

Item	Plan proposal		Actual expenditure[a]		Excess of actual over plan (percentage)
	Amount (millions of yuan)	Per cent of total	Amount (millions of yuan)	Per cent of total	
Industry	31,320	40.9	33,410	39.0	6.7
Agriculture, forestry and water conservancy	6,100	8.0	8,378	9.8	37.3
Transport, telecommunications and postal service	8,990	11.7	10,672	12.5	18.7
Trade, banking and stock-piling	2,160	2.8	6,760	7.9	213.0
Other items on economic construction	13,800[b]	18.0	6,851	8.0	-50.3
Culture, education and public health	14,270	18.6	19,562[c]	22.8	37.1
TOTAL	76,640[d]	100.0	85,633	100.0	11.7

Source: Finance Minister's annual budget reports for 1953-1957.

[a] Expenditure for 1957 is estimated in the 1957 budget.

[b] This includes the following (in millions of yuan): urban public utilities 2,120, working capital of enterprises 6,900 (some of which was actually expended for "industry" and for "trade, banking etc."), major repair of enterprises 3,600, and other economic outlays 1,180.

[c] Including a sum of 2,770 million yuan for social relief and welfare payment not covered in the proposed 14,270 million yuan.

[d] Since a small part of this plan total, 2,510 million yuan or about 3 per cent, is not taken from the state budget, the plan total is strictly speaking not comparable with the actual expenditure according to the state budget.

under the first five-year plan to 6:1 under the second,[1] in order to allow a gradual rise in consumption in the second five-year period and to make up for the recognized inadequacy in the productive capacity of certain consumer goods industries. In particular, the large number of joint state-private enterprises, now reorganized, are expected to expand their production for the consumer market, and the handicrafts, now put on the co-operative basis, may further swell the output of consumer goods. The contemplated increase in state capital investment in consumer goods industries is, however, still quite limited.

In view of difficulties encountered in the financing of development projects, and reflected in the substantial cut of 15 per cent in total gross state investment in capital construction for 1957 as compared to 1956, it is perhaps open to question whether the State can achieve its target of doubling its investment in capital construction during the second five-year plan.

In mainland China, economic development has to be financed primarily with domestic capital. Since 1953, capital formation, being predominantly a function of the State, has been carried out largely on the basis of receipts from state enterprises on the one hand, and of ordinary taxation on the other. Domestic bond issues have brought in much smaller sums.

[1] Chairman Mao Tse-tung's statement quoted in *Ta Kung Pao* (Peking), 15 March 1957.

The foreign exchange requirements for purchasing imports of capital goods and for financing the excess of foreign aid extended over foreign loans received and used during this period[2] have been met, in spite of agricultural shortage within the country, primarily through agricultural exports, supplemented by mineral, handicraft and industrial exports. The extent of mainland China's success in achieving increases in production in these fields has so far played an important part in determining the extent to which the plan for industrialization has been fulfilled. In future, as industrial exports begin to grow, the share of agricultural, mineral and handicraft exports in total exports is expected to decline.

THE STATE BUDGET

Domestic financial resources for development are mobilized by fiscal measures implemented annually through the state budget. The accounts for 1953-1956 and the budget for 1957 show a rapid expansion in both government receipts and expenditures up to 1956. Preliminary data for 1957 suggest that expenditures may for the time being have reached a plateau. A budget surplus is reported for 1953, 1954 and 1955, followed by a budget deficit in 1956. In 1957 the budget was drawn up to show a balance.

[2] Foreign aid received and extended is discussed later in this section.

Table 53. Mainland China: Government Receipts and Expenditures, 1953-1957

(Millions of yuan)

Year	*Total expenditures*	*Total receipts*
1953	21,488	21,762
1954	24,632	26,237
1955	26,727	27,203
1956	30,574	28,743
1957[a]	29,394	29,394

Note: Receipts and expenditures for 1953 to 1956 are from final accounts; those for 1957 are from the budget. Since 1 January 1956, the state enterprises have lowered the price quotations of the chief means of production for inter-enterprise transactions. The final account of 1956 and the budget of 1957 are therefore formulated according to the new price quotations.

Source: "Statistics on State Receipts and Expenditures during the First Five-Year Plan Period", in *Finance,* No.8, 5 August 1957 (in Chinese); "The Growth of National Economy as Viewed from the State Budget", *ibid.,* No.12, 29 June 1957.

[a] Estimated.

As shown in table 54, most state revenue is derived from "receipts from state enterprises", which accounted for 62.9 per cent of total state receipts in 1953 and an estimated 72.0 per cent in 1957. The declining importance of agricultural taxes and bond subscriptions from peasants is shown by the fall in their combined total from 13.4 per cent of aggregate state receipts to 11 per cent during this period. However, peasants undoubtedly made a growing contribution to the receipts of state enterprises. These receipts were obtained largely from transactions with the peasants, from whom the state enterprises, through the medium of co-operatives and collectives, buy agricultural products and to whom they sell foodgrains (in the case of peasants growing industrial crops), agricultural requisites and essential consumer goods. The share of taxes from private enterprises in industry and trade fell drastically from 16.9 per cent of total state receipts in 1953 to one per cent in 1957, primarily because of the transformation of these private enterprises into state or joint state-private enterprises.

Beginning in 1954, mainland China has floated four annual issues of domestic bonds for economic construction. These bonds, each of 600 million yuan, bear interest at 4 per cent a year and are redeemable in 10 years (in 8 years in the case of the 1954 issue).

FOREIGN TRADE

Since 1949, control over the direction and composition of foreign trade has been used as an important means to finance capital formation in mainland China. This trade gravitated increasingly to the Soviet Union and countries of eastern Europe, with a corresponding reduction in importance, or the virtual elimination, of business with former trading partners, particularly the United States, the United Kingdom and Japan. The proportion of trade with the Soviet Union and countries of eastern Europe is reported to have risen every year until 1955: from 33 per cent of the total in 1950 to 63 per cent in 1951, 78 per cent in 1952, 75 per cent in 1953, 81 per cent in 1954 and 82 per cent in 1955, with a corresponding decline in the proportion for other countries, mainly in the West.[1] In 1956 the proportion appears to have fallen to 75 per cent. There has been no trade of consequence with the United States since 1951. This change in the direction of trade is accounted for partly by the fact that countries with centrally planned economies have, as a matter of policy, co-ordinated their economic development, and partly by the United Nations resolution adopted after the outbreak of the Korean war recommending the application by every State of an embargo on the export of strategic materials to mainland China, and other trade measures adopted by CHINCOM countries.[2]

[1] During the first five-year plan period (1953-1957) four-fifths of mainland China's total trade is stated to have been with USSR and other people's democracies. (*Ta Kung Pao,* Peking, 28 November 1957).

[2] Following the United Nations embargo resolution 500 (V), adopted on 18 May 1951, the China Committee (CHINCOM) established a more comprehensive list of strategic materials to be withheld from export to mainland China than the one already in effect for the Soviet Union and eastern European countries, administered by the Co-ordinating Committee on Export Control to Communist Areas (COCOM). (Both COCOM and CHINCOM are subordinate committees under an informal multilateral Consultative Group operating in Paris).

Table 54. Mainland China: Distribution of Government Receipts, by Sectors, 1953-1957

(Percentages)

Year	*State enterprises*	*State-private enterprises*	*Co-operatives*	*Private enterprises*	*Peasants*	*Other*	*Total*
1953	62.9	1.2	2.5	16.9	13.4	3.1	100.0
1954	65.2	1.7	3.7	13.3	14.2	1.9	100.0
1955	71.1	2.2	4.4	7.7	13.2	1.4	100.0
1956	73.6	5.5	5.4	2.8	11.2	1.5	100.0
1957[a]	72.0	7.0	8.0	1.0	11.0	1.0	100.0

For explanations and sources see table 53.

[a] Estimated.

On the other hand, in the past few years there has been some revival of trade with the United Kingdom and Japan, and some increase in trade with a number of Asian and other countries. This trend is expected to be accentuated in view of the recent relaxation in the interpretation of what constitutes strategic exports to mainland China under the United Nations resolution, and in the level of strategic controls maintained by the sixteen nations of the CHINCOM.[1]

Of particular importance is the control applied by mainland China to the pattern of foreign trade, a control designed to increase primary exports in order to pay for capital goods imports, and to decrease non-essential imports in order to economize foreign exchange. As stated by the Vice-Minister of Foreign Trade in 1954, "the central aim of our foreign trade hereafter is to serve the socialist industrialization of our country in a better way".[2]

In 1950, many consumer manufactures (especially textiles) and food items customarily imported in prewar years[3] almost disappeared from mainland China's import list, and were replaced by raw materials (especially raw cotton and crude rubber), mineral oils, chemicals (especially pharmaceuticals) and industrial equipment. There was also a notable increase in the value of the relative share of food exports. In respect of rice, mainland China shifted from a net import to a net export basis.

For the past few years, the pattern of trade has been reported to be as follows. Three-fourths of the exports have consisted of farm products (both processed and unprocessed) and one-fourth of mineral products and manufactures; three-fifths of the imports have been machinery and equipment, and two-fifths raw materials for industrial and agricultural production and consumer goods.

The composition of mainland China's trade with the Soviet Union, as given in table 55, shows significant changes between 1953 and 1956, including a sharp

[1] In May 1956, a number of countries, including the United Kingdom, publicly announced their intention to make more extensive use of the CHINCOM "exception procedure" providing in special circumstances for export to mainland China of goods on the embargo list for that country but not for the USSR and eastern European countries. At the end of May 1957, the United Kingdom declared that in future it would apply the same rules to exports to mainland China as those applied to the USSR and eastern European countries; consequently some machine tools, some electric motors and generators, rubber working machinery, most motor vehicles and tractors, most railway locomotives, rolling stock and other railway equipment, most internal combustion engines, some scientific instruments, rubber tyres and various chemicals would be free of export licence control. This automatically also affected exports and re-exports from Hong Kong. Subsequently, Belgium, Denmark, France, western Germany, Greece, Holland, Italy, Japan, Luxembourg, Norway and Portugal announced their policy of relaxing control on exports to mainland China to the degree decided by the United Kingdom. Canada and Turkey have not taken such action, and the United States continues to maintain its total embargo on trade and financial transactions with mainland China. Among ECAFE countries not members of CHINCOM but members of the United Nations, several (Ceylon, Indonesia and Malaya) have at various times announced interpretations under which they began to export to mainland China.

[2] *People's Daily*, 5 October 1954.

[3] See table in *Economic Bulletin for Asia and the Far East*, November 1953, page 27, for breakdown of imports and exports in 1936, 1937 and 1950.

Table 55. Mainland China: Composition of Imports from and Exports to USSR, 1953 and 1956

(In percentages, unless otherwise stated)

Item	*1953*	*1956*	*Item*	*1953*	*1956*
Imports			*Exports*		
Machinery and equipment (complete sets)	23.1 (7.1)	41.6 (29.3)	Food materials	25.7	16.6
Ferrous metals	9.8	8.5	Food products	18.7	23.8
Underground cables, electric wires	0.6	0.2	Non-ferrous and rare metals	21.3	16.5
Petroleum products	6.4	11.7	Textile fibres	12.2	7.7
Chemical products including fertilizers	0.9	0.4	Textile products	3.4	12.3
Paper	1.3	0.8	Bristles, hides and skins, intestines, etc.	2.7	3.4
Others	57.9	36.8	Others	16.0	19.7
TOTAL	100.0	100.0	TOTAL	100.0	100.0
Total import value (million roubles)	2,790	2,932	Total export value (million roubles)	1,899	3,057

Source: Data from *Soviet Trade Monthly*, October 1957 (in Russian) reproduced in *Ta Kung Pao* (Peking), 1 January 1958.

Table 56. Mainland China: Imports and Exports, 1950-1957

Year	*Value (billion yuan)*			*Index (1950=100)*			*Ratio (Export to Import)*
	Import	*Export*	*Total*	*Import*	*Export*	*Total*	
1950	2.12	2.03	4.15	100	100	100	49:51
1951	3.49	2.44	5.93	165	120	143	41:59
1952	3.73	2.75	6.48	176	135	156	42:58
1953	4.57	3.52	8.09	216	173	195	43:57
1954	4.42	4.05	8.47	209	199	204	48:52
1955	6.07	4.91	10.98	286	242	265	45:55
1956	5.30	5.57	10.87	250	274	262	51:49
1957 (target)	4.76	5.20	9.96	224	256	240	52:48

Source: Indexes of import and export and ratios of export to import during 1950-1955 were issued at China Export Commodities Fair, Canton, and reported in *Asia-Keizai Jumpo*, Tokyo, 1 March 1957; trade values for 1950, 1954, 1956 and 1957 (plan) and values of imports and exports for 1956 and 1957 (plan) were released officially through the New China News Agency press despatches. Other figures are derived from these two sources.

rise in the proportion in total imports of machinery and equipment (from 23.1 per cent to 41.6 per cent), and in total exports of textile products (from 3.4 per cent to 12.3 per cent).

Mainland China's trade rose steadily from 1950 to 1955, from 4.15 billion yuan to 10.98 billion yuan, but showed a slight fall to 10.87 billion yuan in 1956 and the planned sum for 1957 was further reduced to 9.96 billion yuan. The import surpluses during 1950-1955 were financed mainly by loans from the Soviet Union. The export surpluses during 1956-1957 appear to have been caused by the excess of aid extended over loans received and by reduction in foreign expenditures after the withdrawal of Soviet forces from Dairen in 1955. Agricultural collectivization and transformation of commercial and industrial enterprises from private into joint state-private ownership since 1956 may have affected adversely overseas Chinese remittances.

External assistance

Since 1949, the Government of the Soviet Union is officially reported to have extended to the Central People's Government of the People's Republic of China loans amounting to 5,294 million yuan. Of this sum, 2,174 million yuan were reportedly used before 1953. Since then, during the period of the first five-year plan, 3,119 million yuan are said to have been used, while on the other hand external aid paid out to other countries by mainland China during this period is put at the larger sum of 3,588 million yuan (table 57). In addition, during the same period, loan service to the Soviet Union may have amounted to about 1.5 billion yuan.[1]

Table 57. Mainland China: Flow of External Assistance, 1953-1957

(Millions of yuan)

Year	*Receipts (Loans from USSR)*	*Aid extended*	*Excess of aid extended over loans received*
1953	438	1,592	1,154
1954	884	628	-256
1955	1,657	456	-1,201
1956	117	404	287
1957[a]	23	508	485
Total	3,119	3,588	469

Source: Mainly from *Finance*, No.8, 5 August 1957 (in Chinese). Finance Minister's annual budget report for 1957 gives loan receipts for 1956 and 1957 only. Those for earlier years are derived from data on state receipts including loans and link relatives for state receipts excluding loans, both published in *Finance*.

[a] Budget estimate.

According to incomplete data given in various press reports and communiqués, the following grants and credits from mainland China have been extended successively to Outer Mongolia, northern Korea, Albania, northern Viet-Nam, Cambodia, Nepal and Ceylon.

[1] Roughly estimated from available data on total and on internal debt service.

Table 58. Mainland China: Aids to Foreign Countries, 1952-1957

Recipient country	*Agreement date*	*Duration*	*Amount (millions of currency indicated)*
Outer Mongolia	29 December 1952 and 29 August 1956	...	...
Northern Korea	23 November 1953	1954-1957	800 (yuan)[a]
Albania	7 December 1954	Long-term	Unspecified
Northern Viet-Nam ..	24 December 1954	Unspecified	800 (yuan)
Cambodia	21 June 1956	1956-1957	8 (sterling)
Nepal	7 October 1956	7 October 1956 to 6 October 1959	60 (rupees)
Ceylon	20 September 1957	Five Years	75 (rupees)

[a] In addition to supplies given and expenses incurred in aid between 25 June 1950 and 31 December 1953.

HOW INFLATIONARY PRESSURE IS CONTROLLED

The inflationary gap

The very nature of industrialization under any plan of this type, with its greater investment and faster growth of producer than consumer goods, is likely to generate severe inflationary pressure through an excess of effective demand over supply of consumer goods. The tendency towards inflation will be reinforced with agricultural production, still accounting for a major portion of total production, falls short of the target rate of increase on account of floods, droughts or other natural calamities.

In mainland China, the unequal rates of increase in the production of capital goods and consumer goods have, as might be expected, given rise to the problem of the inflationary gap, particularly since 1955. Available statistics suggest that, while capital goods production rose by 20 per cent in 1954, 17 per cent in 1955, 41 per cent in 1956 and 12 per cent in 1957, consumer goods production in industry rose by only 15 per cent, one per cent, 22 and 2 per cent in the corresponding years; and that, in 1955, cotton textile production fell by 15 per cent, owing to a 9 per cent decline in the previous year's raw cotton crop. In 1956, according to figures quoted earlier, state capital investment, mainly in heavy industries and defence, rose by 63 per cent, as compared with only 15 per cent in each of the previous two years.

To counter inflation, two sets of measures have been adopted. In the first place, consumption has been restricted by rationing. In November 1953, foodgrain distribution was made virtually a state monopoly and the supply of grain was controlled. These measures were followed by nation-wide rationing of cotton cloth in 1954 and of foodgrains in 1955. Rationing of edible oils, meat and sugar has been applied in cities where these goods were in short supply. In the second place, steps have been taken to avoid the creation of, or siphon off, excess purchasing power in the hands of peasants and workers. The methods used include state procurement of marketable surpluses of agricultural production at "official" prices (below the free market level), control over the rise in wage levels, which has been far below the rise in labour productivity, and public subscription to domestic bonds for development.

Rationing of essential consumer goods

On 5 August 1955, provisional measures for foodgrain rationing in cities and market towns were adopted by the State Council. In rice consuming areas, the monthly per capita rice ration varies for nine specified categories from 25 kilogrammes for especially heavy physical labour down to 12.5 kilogrammes for ordinary residents and for children of ten years of age or above, and smaller amounts for three categories of children under that age. In general, a higher ration is provided for areas consuming mainly coarse grains and wheat flour. Foodgrain rationing was introduced between September and November of 1955 in various cities and market towns.

Rationing of edible oils, introduced in December 1953, has not been uniformly applied throughout the country, because oil-bearing crops are not as extensively produced as foodgrains. Rationing measures vary as between areas of concentrated production and scattered production of oil-bearing crops. In areas where the supply situation is extremely difficult, the available stocks are distributed, after public discussion, the village being taken as the basic unit.

Cotton cloth rationing, first introduced to cover the year from 15 September 1954 to 31 August 1955 (which corresponds generally to the cotton crop year), is being implemented for the fourth year in 1957/58. Ration coupons are issued in two periods to dovetail with the needs of consumers, with two-thirds of the ration in the first period and one-third in the second. During the first three years, 1954/55-1956/57, higher

rations were issued in cities—especially large cities—than in villages. In a considerable part of the country, rations were higher within a given area for workers and employees, cadres and students in middle schools and universities than for ordinary residents. Because of the poor cotton crop in 1956, the Government had to reduce by one-half the ration for the second period of 1956/57 (from May to August 1957). This was considered appropriate because of the unusually high ration for 1955/56. For the year 1957/58, however, the average per capita ration has been reduced to 5.3 metres as compared with 6.2 metres for the (whole) year 1956/57, owing to the reduction in the cotton growing area in favour of more land for foodgrains. This reduction in rations is smaller for villagers than for residents in cities—where fabrics other than cotton (silk, linen, woollen) are largely consumed. Moreover, the new ration is the same for workers and employees, cadres and students in middle schools and universities as for ordinary residents. Extra supplies, however, may be drawn by certain categories of workers, including building workers and coalminers. Peking and a few other big cities have slightly higher rations than the rest of the country.

Meat and sugar were also rationed in some areas. In Kwangtung province, sugar rationing commenced on 1 April 1955, with an average per capita yearly quota of 3 kilogrammes for all rural districts and a somewhat higher amount for city residents.

Wage control and policies

Wage control by the State has been expanded with the growth of the state and joint state-private, sectors, whose workers and employees (about 24 million by the end of 1956) receive wages and salaries determined by the State. In the agricultural sector, comprising the predominant part of the population, remuneration for labour performed is determined in accordance with the norm of work, which varies from one co-operative or collective to another.

In all cases, the overriding principle has been to grant a slower rise in wages than has been achieved in productivity, so as to provide an adequate margin for capital formation. Under the first five-year plan, average labour productivity in government enterprises and departments covered by the plan was scheduled to rise by 64 per cent, but average wages by only 33 per cent. Actually, between 1953 and 1956, the productivity of industrial workers is said to have increased 69 per cent, while the average real wage of the employees and workers increased 27.6 per cent.[1] Under the proposals for the second five-year plan, the rates of increase for labour productivity and wages are expected to be respectively 50 and 25-30 per cent.

The differential rate of rise in wages and productivity was forcefully brought out in a statement on wage reform and employment by the Minister of Labour to the third session of the First National People's Congress on 29 June 1956. According to his statement, average labour productivity and average money wages in state industrial enterprises rose by 15 per cent and 2.3 per cent respectively in 1954, and by 10 per cent and 0.6 per cent in 1955. The difference was even greater in terms of real wages. In 1955, while average money wages of workers and employees in state departments and enterprises reportedly rose 20.2 per cent above 1952 levels, average real wages rose only 12 per cent.[2] The difference was due partly to the rise in retail prices (noted below) and partly to the abolition in July 1955 of the supply system which previously gave free housing, utilities, medical care and so on to about one-third of all workers and employees in state departments and enterprises.

This great disparity in the rates of increase of labour productivity and wages led to a State Council decision to increase, backdated to 1 April, the average pay of workers and employees in state departments and enterprises in 1956 by 13 per cent. As a result of this decision, the average wage for such workers and employees is reported to have risen by 33 per cent in 1956 over 1952, thus reaching the first five-year plan target one year in advance.

After the rapid transformation of private into joint state-private enterprises, a problem arose in 1956, because of the different wage scales in state and joint state-private enterprises. On 12 October 1956, the State Council adopted a set of wage reform regulations for new state-private enterprises, specifying that their wage standard and wage system should be gradually brought into line with those of state enterprises of a similar character and scale in the same area. The existing wage standards of the workers, employees and private personnel of the new state-private enterprises should not be reduced if they were higher than those of the state enterprises, and should be gradually increased, according to the practical possibilities of production and operation, if they were lower.

Price trends

The indexes of wholesale prices, taking 1952 as the base, show the following changes: 84.7 in 1950, 99.9 in 1951, 98.6 in 1953, 99.1 in 1954, 99.7 in 1955, 99.2 in 1956 and 100.7 in the first half of 1957. The wholesale price index is compiled on the basis of official prices, which in 1956 were officially considered "only nominal, while market prices went

[1] *Study* (in Chinese), No.16, 18 August 1957.

[2] *Ta Kung Pao* (Tientsin), 1 July 1956.

up independently".[1] Consequently, the level indicated by the 1956 wholesale price index, as for the first half of 1957, was below the level of actual wholesale prices on the market.

Indexes of retail prices and workers' cost of living were released for the first time in 1956. For retail prices, the annual rise shown was 3.7 per cent in 1953, 0.4 per cent in 1954, 1.3 per cent in 1955, 0.3 per cent in 1956, and 2.2 per cent in the first half of 1957. The 1956 rate of rise, however, although it appeared to be the smallest in the period covered, concealed significant rises in certain items, some of which (the items were not specified) were stated to be not reflected in the index: (1) On account of various natural disasters that hit some areas in 1956, prices of vegetables showed a higher increase over the same period of 1955. In December 1956, the index of seasonable vegetables in eight major cities was 14.5 per cent higher than in the same period of 1955. (2) Owing to the shortage of raw materials, reduction in working hours, and increase in wages, prices rose for commodities produced and marketed by state-private factories and handicraft co-operatives, commodities freely procured by state-private commercial organizations, and commodities newly bought and priced by state commercial organizations. These commodities consisted mainly of clothing, shoes, hats and daily necessities. (3) Following the opening of the free market in the fourth quarter of 1956, market prices for some daily necessaries under-supplied by the state companies soared far above the official prices—by three times for raw ginger and by 30 per cent for eggs. (4) Retail prices for some daily necessaries and better quality commodities, such as rubber shoes and men's socks, went up in accordance with the policy of state commercial organizations of raising the prices of such goods to encourage their production.

In 1956, the workers' cost of living index fell by 0.5 per cent below 1955 in 42 cities, and by 0.2 per cent in 12 major cities, the decline being accounted for by a reduction in some areas in house rents and in water and electricity rates. If these particular items are left out of account, the index of workers' cost of living would show a rise of 0.7 per cent in the 12 major cities.

RATES OF ECONOMIC GROWTH AND LEVEL OF CONSUMPTION

National income and capital formation

National income is defined by Po I-po, chairman of the State Economic Commission, as the "total value of output of industry, agriculture and the building industry plus the value created by transport and commercial workers serving production (i.e. the total value of production), minus the depreciation charges of means of production. In other words, it is the net value of production". This definition, which follows the Soviet practice, differs from the western concept mainly in the restricted scope of "services". Only those services are included which are directly connected with the "production process", for instance, freight transport, trade (if it adds to value as a result of specific operations such as storing) and catering services.

From the proportions of government receipts in national income given by Po, and a deflated series[2] based upon the actual figures for government receipts now available for 1952-1955, and from the more conservative estimate of national income for 1956 (at constant prices) by Ma Yin-chu,[3] national income at constant prices would appear to have risen nearly 42 per cent between 1952 and 1956, giving an average annual rate of increase of 9.1 per cent (compounded). Based on this, the corresponding rise in per capita income would then be 29 per cent, or 6.7 per cent annually (see table 59).

The "accumulation" component of national income is defined by Po to include the following: "(1) in the form of centralized state expenditures: investments in capital construction of productive and non-productive undertakings less depreciation charges for fixed assets; increases in circulating funds (working capital); increases in state material reserves, etc.; (2) in the case of state enterprises: accumulation within each enterprise; (3) in the case of agricultural producers' co-operatives (and collectives), handicraft producers' co-operatives and supply and marketing co-operatives: reserve funds (surplus)[4] of the co-operatives (and collectives); and (4) in the case of individuals; investments made by industrialists, merchants, individual peasants and handicraftsmen." Accumulation thus covers net fixed capital investments and additions to stocks and is conceptually not altogether dissimilar from net investment (gross investment minus depreciation charges) as defined in western practice.[5] However, for the purpose of international comparison it should be noted that the price structure of mainland China, which maintained low prices for farm products and high prices for industrial products (at least up to 1955), tends to exaggerate the proportion of net investment as compared with western countries.[6]

[1] "Domestic market prices in 1956", *Statistical Bulletin*, No. 7, 14 April 1957.

[2] Deflated by changes in the wholesale price index.

[3] "A new theory of population", *op.cit.*

[4] "Surplus" is used here as an accounting concept, representing a part of the net worth on the balance sheet.

[5] Except that "working capital" and "surplus" may include changes in cash holdings.

[6] *Ta Kung Pao* (Peking), 24 March 1957.

Table 59. Mainland China: National Income Estimates, 1952-1956
(At 1952 prices)

Year	National income	Accumulation	Consumption	Midyear population (millions)	Per capita income (yuan)
Amount in billion yuan					
1952	63.62	9.99	53.63	569	112
1953	75.59	13.83	61.76	581	130
1954	81.71	17.65	64.06	595	137
1955	85.53	17.53	68.00	608	141
1956	90.00	18.90	71.10	621	145
Percentage distribution					
1952	100.0	15.7	84.3		
1953	100.0	18.3	81.7		
1954	100.0	21.6	78.4		
1955	100.0	20.5	79.5		
1956	100.0	21.0	79.0		
Annual rate of growth (%)					
1953	18.8	38.4	15.2	2.1	16.1
1954	8.1	27.6	3.7	2.4	5.4
1955	4.7	-0.7	6.2	2.2	2.9
1956	5.2	7.8	4.6	2.1	2.8
Index (1952=100)					
1953	118.8	138.4	111.5	102.1	116.1
1954	128.4	176.6	119.5	104.6	124.1
1955	134.4	175.5	126.8	106.9	125.9
1956	141.5[a]	189.2[a]	132.6[a]	109.1	129.4
Average annual rate of increase	9.1	17.3	7.3	2.2	6.7

Note: For the period 1952-1955 the government receipts figures at current prices are deflated by the index of wholesale prices; these deflated figures are then used in deriving the national income figures according to the proportion of government receipts in national income as given by Po. For 1956 the national income estimate given by Ma, probably at constant prices, is used.

Source: Po I-po's speech, in *Eighth National Congress of the Communist Party of China,* Vol. II, pp.45-62; "The growth of national economy as viewed from the State budget", *Statistical Bulletin,* No.12, 29 June 1957; Li Hsien-nien, "1956 final accounts and 1957 State budget," *Ta Kung Pao* (Tientsin), 30 June 1957; "Data on China's population from 1949 to 1956", *Statistical Bulletin,* No.11, 14 June 1957; Ma Ying-chu, "A new theory of population", in *People's Daily,* 5 July 1957; *People's China,* December 1957.

[a] These indexes of growth between 1952 and 1956 are different from those given by Po respectively of 143.8, 206.5 and 129.7.

The sum of personal and public consumption is derived as a residual (national income less directly estimated accumulation). It "includes the wages of workers and employees; the personal incomes of peasants and handicraftsmen; the incomes of capitalists; expenditures of the State and of enterprises on cultural, educational and public health work, and on welfare services for workers and employees; expenditures on administrative and national defence needs[1] and other funds used for non-productive purchases; and so on".

[1] However, as noted above, the Finance Minister in his 1957 budget report also includes defence along with other items under the heading of gross state investment in capital construction.

The rate of increase of accumulation between 1952 and 1956 is much faster than the rate of increase of consumption—89 per cent as compared with about 33 per cent. The average annual rate of increase during the period is thus 17 per cent for accumulation, somewhat over 7 per cent for consumption. As a consequence, the proportion of accumulation in national income has risen steadily, except for a slight setback in 1955, from what appears to be 15.7 per cent in 1952 to an estimated 21 per cent in 1956. Po suggested that "for a number of years to come, it will be fairly safe to fix the proportion of the national income going to accumulation at no less than 20 per cent or possibly a little higher". The sharp

rise in investment in 1956 and consequent difficulties encountered in 1957 may make it debatable whether this ambitious goal can be adhered to.

The proposals for the second five-year plan, as adopted by the Eighth National Congress of the Communist Party of China on 27 September 1956, envisage a further increase of 50 per cent in national income in 1962 over 1957. While the ratio of accumulation to consumption is not fixed, the state investments in capital construction in the second five-year period are expected to be double what they were in the first. In absolute amounts, these major components of accumulation would thus be 85,480 million yuan, or about equal to the whole estimated national income for 1955. It has already been questioned whether these targets may not be over-optimistic.

Levels of consumption

Per capita consumption in 1956 is reported to have risen by 13 per cent over 1952 for peasants, and by 19 per cent for workers and employees. If account is taken of the estimated rate of population increase of 2.2 per cent a year during 1952-1956 and it is assumed that the ratio of peasants to workers and employees changes only slightly, it follows that there was an increase in total consumption of about 22 per cent for peasants and 28 per cent for workers and employees. These rates, so computed, are much lower than the estimate from Po and Ma of 33 per cent rise in total consumption during 1952-1956, which, however, refers to both personal and public consumption, instead of personal consumption only. In other words, the implication would be that public consumption rose considerably faster than did personal consumption.

If the reported per capita rate of increase of consumption is taken as the basis for estimation, the absolute level reached in 1956 was still rather low, being equivalent to about 81 yuan per peasant and 180 yuan per worker or employee. The ratio of consumption of workers and employees to peasants apparently rose from 2.10:1 in 1952 to 2.22:1 in 1956 (table 60).

Per capita consumption of the main items is reported to have risen between 1949 and 1956 for both urban and rural inhabitants, although the reliability of the 1949 data is limited. Table 61 gives the details.

The differential levels of consumption and living standards as between peasants and workers appear to have given rise to peasant discontent, and official explanations were given repeatedly in early 1957 to justify the difference. First, it was contended that, in the comparison between the two, a part of the non-monetized (imputed) income and consumption of peasants, such as rent and fuel, might not have been taken into account. Second, it was pointed out that, as urban life is on a higher economic and cultural level than rural life, more has to be spent by the workers on items not known to the peasants. Third, workers are usually more productive than peasants, not only because of the larger capital and higher technique employed, but also because they are less dependent on natural conditions, particularly the weather. Fourth, the difference in living standards between workers and peasants is considered to be "a product of history, and, while this difference will be steadily reduced along with the constant development of production and the constant betterment of the living standard of workers and peasants, its elimination will call for a long-term struggle and can only be achieved when social productive forces have been considerably developed". In connexion with this statement, however, it may be noted that, for the immediate period 1952-1956, official statistics tend to show that the gap in per capita consumption between workers and peasants has widened, if slightly, rather than narrowed.

Table 60. Mainland China: Per Capita Consumption of Workers and Peasants, 1952 and 1956

(Yuan at 1952 prices)

Year	*Peasants*		*Workers and employees*		*Ratio of workers and employees to peasants*
	Amount	*Index*	*Amount*	*Index*	
1952	72.0	100	151.0	100	2.10
1956	81.0	113	179.6	119	2.22

Source: *People's China*, 1 May 1957; New China News Agency, Press Release (Peking). 6 July 1957.

Table 61. Mainland China: Per Capita Consumption of Main Items, 1949 and 1956

(Kilogrammes, unless otherwise indicated)

Item	1949		1956		Percentage increase of 1956 over 1949	
	Urban	Rural	Urban	Rural	Urban	Rural
Foodgrains	193.50	138.00	200.00[a]	216.00[a]	3.4	56.5
Edible vegetable oil	2.65	0.85	6.40	1.90	141.5	123.5
Pork and other meat products	5.25	3.45	7.00	3.85	33.3	11.6
Salt	7.00	4.00	8.50	5.50	21.4	37.5
Sugar and sweets	1.30	0.15	3.85	0.85	196.2	466.7
Cotton cloth (metre)	9.13	2.30	20.60	6.67	125.6	190.0
Total population (million)	56	474	88	536	157.1	113.1

Source: State Statistical Bureau figures quoted in *Ta Kung Pao* (Hong Kong), 8 July 1957. Total population given by the State Statistical Bureau is divided into rural and urban population according to the ratio given in "Data on China's population from 1949 to 1956", *Statistical Bulletin*, No.11, 14 June 1957.

[a] The lower national average of 175 kilogrammes estimated by Ma Yin-chu for 1956 in his article on "Grain production and peasants' livelihood" (*People's Daily*, 15 June 1957) appears more realistic, taking into account as it does the foodgrain requirements for industrial use and export. The estimates given above apparently do not make this allowance, either for 1949 or for 1956.

POPULATION PRESSURE AND EMPLOYMENT

In 1956, mainland China, with an area of 9.7 million square kilometres, had an arable land area of 1.12 million square kilometres or 11.6 per cent of its total area. Yet this limited area of arable land, together with additions that may be possible through reclamation of unused land, which has been estimated at 27-33 million hectares,[1] has to provide the principal means of livelihood for the largest population of any country in the world, estimated officially to have reached 628 million by the end of 1956. The density of population per square kilometre of arable land is thus 561 in mainland China, which compares with that of 1,020 for Taiwan, and is otherwise the highest in the ECAFE region except for Japan and southern Korea.

The pressure of population on land is made more serious by the high rate of natural increase, which is reported to have averaged 2.22 per cent a year during 1953-1956 as compared with 2 per cent during 1950-1952.[2] The recent increase is attributed to a number of factors, including the improvement of public health and the consequent reduction in the death rate, particularly the infant mortality rate, and the reduced loss of life from civil wars, famines and so on.

The pressure of population on land necessarily varies widely in a vast area like mainland China, being highest in the fertile river plains south of Yellow River, along the railway lines and on the coast. The northwest is still thinly populated, and to a less extent also the northeast, which was opened up under Japanese influence only from the beginning of the century. Internal migration to these sparsely populated parts may afford some relief to the older, more settled, parts, but the process is slow and costly. Under the first five-year plan, it was proposed to survey 6.7 million hectares of wasteland, of which 2.52 million hectares were to be reclaimed by state farms or through organized resettlement by peasants, and by small-scale local projects, bringing the total arable area to 110.6 million hectares by 1957. This target is said, however, to have been exceeded by 1956, when the total arable area of the country is reported to have risen to 112 million hectares, as noted above. Of the 4 million hectares added since 1952, half are reported to have been reclaimed between 1953 and 1955, the other half in 1956.[3] The new land is largely located in the frontier provinces, particularly Heilungkiang and Sinkiang. In 1956, 660,000 people were reported to have moved from the densely populated parts of the country and settled in sparsely populated provinces.

Because of inflow of peasants to cities, the average rate of population growth is greater for urban than for rural areas. During 1953-1956, it appears to have reached 5.65 per cent a year in the former, as compared with 1.72 per cent in the latter. As a result, the proportion of urban population in the total is estimated to have risen from 13.21 per cent in 1953

[1] *Statistical Bulletin*, No.11, 14 June 1957.
[2] *Ibid.*

[3] Li Fu-chun, in *Ta Kung Pao* (Hong Kong), 8 September 1957; also *Ta Kung Pao* (Peking), 4 February 1957.

to 14.20 per cent in 1956, representing an absolute increase in urban population of 11.5 million—from 77.7 million to 89.2 million.

A rapid increase in urban population can be expected to accompany industrialization. Under mainland China's first five-year plan, employment in the fields affected by the plan was expected to rise by 4.22 million from the 1952 level to 25.24 million by 1957. Under the proposed second five-year plan, a further increase in employment by 6-7 million is contemplated. Yet it would appear that the exodus of rural population to towns and cities has been the result not only of the higher average per capita income and consumption in cities, but also of famine conditions in certain rural areas. This movement had assumed such proportions by 1954 that the Ministries of Interior and of Labour had to issue a joint directive in March to prevent the "blind influx of peasants into cities". In mid-1955, the Government, on account of the food situation, found it necessary to send back the surplus population from cities to villages. In Shanghai, 558,000 persons are reported to have returned to villages in April-October 1955. In other cities, however, such as Tientsin and Peking, the Government's effort in subsequent years to persuade peasants to return to villages are reported to have failed, "since it is easier to find a livelihood in cities than in villages".

While reclamation of land and industrialization can be expected to bring some relief in the population pressure, their immediate effectiveness in the face of a rapidly rising population appears limited.[1] A drive for reducing the rate of population growth was initiated in 1954 with the aim of alleviating the pressure of population. At the first session of the First National People's Congress in September of that year, the subject of family limitation was broached by Deputy Shao Li-tzu, who pointed out that "it is a good thing to have a large population, but in an environment beset with difficulties, it appears that there should be a limit set". Little immediate headway appears to have been made until 1956 when regulations governing sterilization of women were relaxed and a directive on the practice of contraception was issued by the Ministry of Health. In March 1957, the Minister of Health announced the abolition of the old prohibition of induced abortion, which had made exceptions only for cases in which there was serious danger to health. In her opinion, "proper birth control and planned childbirth are legitimate demands", except for the minority nationalities, whose population has been declining owing to prevalence of insanitary conditions and venereal diseases. Moreover, "trade unions, women's federations, Red Cross societies and Youth League organizations all have the responsibility for organizing and promoting this work of contraceptive guidance".

The proposals for the second five-year plan, as presented by Premier Chou En-lai on 16 September 1956 to the Eighth National Congress of the Chinese Communist Party, suggested "appropriate promotion of birth control".

The heavy pressure of population on land has at any rate increased the amount of non-financial capital formation, which has been carried out by various forms of underpaid surplus labour, such as surplus rural labour, "labour under custody", and armed forces not engaged in active combat, working on labour-intensive projects including the construction of roads, railway roadbeds, bridges, levees and canals for flood control and irrigation; afforestation; land reclamation and so on. It has also facilitated the task of the Government in sending graduates from secondary and vocational schools as well as from colleges to participate in development projects in sparsely populated areas and in the villages. Recently, a programme was launched for the transfer of government and party personnel to work in remote regions and other rural areas. This move was prompted by a sharp rise in investment in 1956 and by the need to bring the government budget allocations within manageable limits. It is, moreover, in line with the Government's policy of supplying trained personnel to strengthen the agricultural collectives.

SUMMARY AND CONCLUSIONS

It has been observed that the major problems confronting mainland China hinge on the development of heavy industry and the control of inflationary pressure. The development of heavy industry has been achieved largely at the expense of the agricultural sector, and also by the forced saving of a much greater proportion of the increase in production than would normally be possible under other systems. The socialist transformation, both in the industrial and agricultural fields, is now more or less complete. The organization of over 100 million individual peasant households into about one million agricultural collectives has no doubt simplified the task of the State in controlling both the distribution and price of the marketable agricultural surplus. Inflationary pressure has been countered by the rigid control of prices and the rationing of essential consumer goods. The extensive resources required for development have been derived mainly from domestic sources, including not only from taxation, but also (and mainly) from profits of state enterprises, as well as from domestic bonds. While capital accumulation is estimated to have risen by 89 per cent between 1953 and 1956,

[1] The per capita area of arable land has in fact shown a decline from 0.19 hectare in 1952 to 0.18 hectare in 1956.

consumption in the same period is estimated to have risen only by 33 per cent, and even this latter figure may be an over-estimate. It is also clear that the peasant's average per capita consumption is much smaller than that of the industrial worker. This might stimulate a great influx of peasants into urban industry, thus accentuating problems of food supply and employment.

The population pressure, as well as the related problem of unemployment and underemployment, is one of the most serious problems facing mainland China. While the first five-year plan made extensive use of labour for non-monetized capital formation, it is doubtful whether this method can be used on a sufficiently large scale to solve the problem, since the annual increase in population is of the order of between 12 and 15 million and since there is also widespread underemployment of the rural labour force. These difficulties are of course not peculiar to mainland China, but are to be met with in some of the other countries in the region, such as India.

The above analysis has shown that mainland China has made significant progress in economic development, but only at the cost of heavy sacrifices on the part of the industrial worker, and especially of the peasant. Judgement must be postponed on the extent to which mainland China has proved, as yet, the postulate that economic development is not an end in itself—but only a means to an end, which is the improvement of living standards of the common people. The process of economic growth is perhaps bound to throw a severe strain on one generation. For how long this rate of growth can be sustained remains to be seen.

NOTE ON SOURCES

Apart from those already given in the introduction and elsewhere in this chapter, the major sources of information (in Chinese unless otherwise noted) on economic developments in mainland China include the press releases (also issued in English) of the official Hsin Hua (New China) News Agency, the official *People's Daily* (Peking), and the semi-official *Ta Kung Pao* (a daily specializing in economic information and published first in Tientsin but since 1 November 1956 in Peking).[1] The *Hsin Hua (New China) semi-monthly* (published in Peking, monthly up to the end of 1955) published major current items by topics, while *People's China*, an English language fortnightly, provides articles and notes on major topics of current interest. The *People's Handbook*, compiled annually since 1950, is a useful ready reference work issued by the *Ta Kung Pao*. In April 1957, the Foreign Language Press in Peking, a government agency, issued, in English, the *Handbook on People's China*.

Important periodicals on different fields of economic activity have, since 1957, become increasingly available to readers outside mainland China. These include *Current Events* (semi-monthly), *Statistical Bulletin* (semi-monthly), *Planned Economy* (monthly), *New Construction* (monthly), *Financial and Economic Studies* (Quarterly), *Public Finance* (monthly) and *Foodgrains* (monthly).

Among the reports in English issued by various government missions visiting mainland China, the latest are the account by the Indian Delegation on *Agrarian Co-operatives* (Planning Commission, Government of India, May 1957) and *Agricultural Planning and Techniques* (Ministry of Food and Agriculture, Government of India, July-August 1957). In August 1957, the Indian Statistical Institute in Calcutta issued for the Indian Planning Commission a mimeographed report on *Planning in China*, which collated useful information based on lectures by Chinese experts and on detailed notes of discussions with Chinese authorities.

To prepare a serious and careful study of economic conditions in mainland China, one would have to delve deeply into the large number of newspapers published in different parts of that country, which are reported to have exceeded 800 by 1 October 1957. Many of these newspapers are local, such as *hsien* or county papers, or are intended for a small group of readers, such as co-operative, mine, communications or factory papers.

[1] The Hong Kong office has for many years published a local edition, which, in addition to reproducing press releases from the Hsin Hua News Agency, is an important source of information for developments in southern China, particularly Kwangtung and Fukien provinces from which overseas Chinese migrated to countries in southeast Asia.

Chapter 5

EXPORT INSTABILITY IN THE PRIMARY EXPORTING COUNTRIES: (I) The Balance of Payments

NATURE AND EXTENT OF THE PROBLEM

In contrast with the major industrial private-enterprise countries, where economic instability has been a growth phenomenon associated chiefly with fluctuations in domestic investment,[1] the economic instability of the primary producing countries of the region has been, and still is, largely the result of external circumstances operating by way of trade, particularly their export trade. In most of these countries, exports represent a considerable share of gross domestic or national product[2] — substantially more than government expenditure and much more than private investment—and in all of them export earnings are derived from a limited range of primary commodities. These basic features render their economies vulnerable to any substantial change in the world import demand for their major exports, and in that way handicap them in their efforts at orderly economic development.

Of the nine primary exporting countries of the ECAFE region for which at least rough statistical estimates can be made, five—the Federation of Malaya, Sarawak, Ceylon, Burma and Thailand—have had percentages of exports to gross national or gross domestic product ranging from 19 per cent to 51 per cent. The extreme case is that of the Federation of Malaya where during 1949-1953, exports are estimated to have exceeded one-half of gross national product, while government expenditure accounted for only 14 per cent of gross national product.[3] In Ceylon, where figures for components of gross national expenditures are available for the longer period of 1948-1955, private capital formation accounted for 5 per cent, government expenditure for 16 per cent, and exports, by contrast, for 34 per cent of the total (table 62).

Table 62. ECAFE Primary Exporting Countries: Exports, Government Expenditure and Private Capital Formation as Percentages of Gross Domestic Product[a]

Country	*Period*	*Exports*	*Government expenditure*[b]	*Private capital formation*[b]
Federation of Malaya	1949-53	51	14	...
Sarawak	1955	48	12	...
Ceylon	1948-55	34	16	5
Burma	1948-56	24	19	9
Thailand	1948-56	19[c]	12	...
Indonesia	1952-55	12[c]	17	...
Philippines	1948-56	10	10	7
Pakistan	1949-53	10	8	...
China (Taiwan)	1953-54	8[c]	13	...

Source: See below, section on "Asian Economic Statistics", special tables on national accounts and government expenditures. For Sarawak, the gross national product figures are from The Colombo Plan, *Fifth Annual Report of the Consultative Committee,* December 1956.

[a] Countries are arranged in descending order of the percentages of exports to gross domestic product (gross national product for the Federation of Malaya and Sarawak, national income for Indonesia, net domestic product for Pakistan). Gross national product of the Federation of Malaya was obtained by taking 75 per cent of the gross national product of Malaya (including Singapore), on the assumption that about one-fourth of the latter total may be attributed to Singapore, as stated in The Colombo Plan, *Fifth Annual Report of the Consultative Committee,* December 1956, p.73.

[b] For Burma, Ceylon and the Philippines, government expenditure and private capital formation are from national accounts figures; government expenditure for other countries is actual expenditure as given in their respective budgets.

[c] For China (Taiwan), Indonesia and Thailand, where multiple exchange rates have been applied, figures of export value expressed in United States dollars were used and converted at market rates into national currencies.

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[1] In the smaller, at least, of the industrially developed private-enterprise countries, serious economic instability may also result from external influences operating through trade, especially if compensatory domestic policies are inadequate; this happened, for example, during the depression of the nineteen thirties, when the adverse effects of reduced imports by the United States of America were particularly acute. However, these smaller industrial countries appear in general less liable to economic instability originating in booms and depressions in the major industrially developed countries than are the primary exporting countries as a group. Cf. League of Nations, *Economic Stability in the Postwar World,* 1945 (Geneva), pp.77, 93, 96.

[2] The countries (and territories) of the region to be dealt with in this and the following chapters are British Borneo (Brunei, North Borneo, and Sarawak), Burma, Cambodia, Ceylon, China (Taiwan), Indonesia, the Federation of Malaya, Pakistan, the Philippines and Thailand. Several countries whose primary exports are substantial in volume but small in relation to gross product are thus excluded.

It should be noted that the ratio of exports to gross domestic product is not particularly high for the ECAFE region as a whole. The ratio as an average weighted by population has been around 9 per cent in the years since 1951 if mainland China is excluded, and substantially less than that if mainland China—with a ratio probably of the order of 5 per cent—is included.

[3] This estimate rests on the assumption (taken from The Colombo Plan, *Fifth Annual Report of the Consultative Committee,* December 1956, p.73) that about one-fourth of the gross national product of Malaya (including Singapore) is attributable to Singapore. For Malaya (including Singapore), exports and government expenditure were respectively 66 per cent and 13 per cent of gross national product in the same period.

The exports of the countries under review, moreover, are concentrated on a limited range of primary commodities—foods and industrial raw materials of agricultural or mineral origin (table 63). Rubber is the most important commodity, followed by rice, petroleum and petroleum products, tea,[1] copra and coconut oil, and sugar, in that order (table 64). During 1948-1956, one commodity accounted for more than one-half of the respective total exports of six countries; in all seven other cases examined, one commodity accounted for fully or nearly two-fifths, and two or at most three commodities together accounted for two-thirds of their respective total exports.

If the information in tables 62 and 63 is combined, it can be seen, for example, that nearly one-third of the whole gross domestic product of the Federation of Malaya has been attributable to exported rubber. (If tin exports are included, the fraction rises above two-fifths). Nearly one-fifth of the gross national product of Burma and Ceylon consists of exports of rice and tea respectively. In Thailand, rice exports have constituted about ten per cent of gross domestic product.

There have been substantial changes in the world prices and in the quantity of primary commodities exported from these countries during the postwar period. On the demand side, the general world trend has been expansionary, as might be expected in view of rising levels of economic activity in the industrially advanced countries. The short-term fluctuations—deriving to a considerable extent from major changes in inventory demand — have, however, been pronounced. Especially notable were the extraordinary stockpiling and its stoppage following the onset and termination of hostilities in Korea, and on a smaller scale, the interruption of trade resulting from closure of the Suez Canal. In some cases, there have also been long-term or structural shifts in world demand. In particular, technological progress in the industrially advanced countries has made possible economies in the use of certain raw materials such as tin, and has produced new or expanded supplies of synthetics or other substitutes for the natural products—synthetic rubber for natural rubber, synthetic fibres for cotton, detergents for coconut oil and so on.

Export fluctuations are, to be sure, not entirely a matter of changes in demand but may also result from variations in the exportable surplus of the country itself or in the supply of the same or closely substitutable commodities (such as wheat for rice)

[1] When, however, the region as a whole (excluding mainland China) is taken, table 64 shows that in this period (1954-1956) tea stood in second place, far ahead of both rice and petroleum and petroleum products. India's tea and India's cotton account for most of the difference between the two columns of this table.

Table 63. ECAFE Primary Exporting Countries: Value of Principal Export Commodities as Percentages of Total Export Value during 1948-1956 inclusive[a]

Country and commodity	*Percentage*	
	Individual	*Total*
(One commodity)		
Brunei:		
Petroleum	96	96
Burma:		
Rice	78	78
(Two commodities)		
Malaya, Federation of:		
Rubber	64	
Tin (including tin metal)	19	83
Ceylon:		
Tea	58	
Rubber	22	80
Thailand:		
Rice	56	
Rubber	19	75
China (Taiwan), 1950-1956:		
Sugar	61	
Rice	13	74
Pakistan:		
Cotton	41	
Jute	33	74
Indochina, 1948-1954:[b]		
Rubber	38	
Rice	33	71
North Borneo:		
Rubber	49	
Logs and lumber	17	66
(Three commodities)		
Sarawak:		
Rubber	41	
Petroleum and petroleum products[c]	21	
Pepper	14	76
Indonesia:		
Rubber	40	
Petroleum and petroleum products	22	
Tin	8	70
Philippines:		
Copra and coconut oil	39	
Sugar	20	
Abaca	10	69
Cambodia, 1955-1956:[b]		
Rubber	41	
Rice	13	
Maize	12	66

Source: Based on the appendix below on "Asian Economic Statistics" and on International Monetary Fund, *International Financial Statistics*.

[a] For each country, the export commodity or commodities have been selected which accounted for two-thirds or more of the country's total export value. Countries are arranged in descending order according to the degree of concentration of exports. Owing to the complications arising from multiple exchange rates, percentages for China (Taiwan), Indonesia and Thailand are computed on the basis of trade figures in dollars. Other percentages are based on trade figures in national currencies.

[b] Statistical data are available only for Indochina as a whole before Cambodia became independent (end of 1954).

[c] Import of crude petroleum has been deducted from gross export of "petroleum and petoleum products" as well as from "total export".

Table 64. ECAFE Region: Export Earnings from Major Primary Commodities

(Annual Average of 1954-1956 in millions of United States dollars)[a]

Commodity	ECAFE region (excluding mainland China)	Primary exporting countries[b]
Rubber	1,018	937
Tea	576	287
Rice	363	347
Petroleum and products	324	324
Copra and coconut oil	250	244
Sugar	192	192
Jute, raw	168	168
Cotton, raw	143	108
Tin in concentrates	84	84
Hemp (abaca)	34	30

[a] For 1954, excluding Cambodia.

[b] Including British Borneo (Brunei, North Borneo, Sarawak), Burma, Cambodia, Ceylon, China (Taiwan), Indonesia, Federation of Malaya, Pakistan, Philippines and Thailand.

offered by competing exporters. Variations in a country's own export capacity, in turn, may obviously be due to numerous causes, economic or otherwise. Irregularities in the weather have been one unstabilizing factor in the region during this period—as in all predominantly agricultural societies from the dawn of history. Again, instability of a political and social character (e.g. the persistence of insurgent activity) has undoubtedly, along with its other effects, reduced exportable surpluses of several countries of the region.

Among the internal causes of economic instability, increasing importance attaches to the inflationary pressure which the developmental effort itself, if not carefully controlled, is likely to generate. Moreover, the rising trend in the expenditures undertaken by most governments of the region in the postwar period for the purpose of promoting economic and social development has coincided in some cases with large expenditures made for security reasons. Thus, government expenditures have not only often outstripped government revenues but have sometimes—even in the primary exporting countries—approached, or exceeded, exports as a demand factor. This has been the case notably in China (Taiwan), Indonesia and the Philippines (see table 62). Other examples are Burma and, recently, Pakistan. While tending to cause price inflation, the excessive domestic demand has also tended to reduce exports and increase imports, thus inviting balance of payments difficulties.

Instability may be of external origin but be generated from the import rather than the export side. For example, fluctuations may occur in the costs of imported materials and equipment, or of food required by food-deficit countries. Such changes on the import side have not been so violent, in the past, as those on the export side but, when an increase in prices of imports has happened to coincide with a fall in export prices, a country's real income and its capacity to import have declined for both reasons.

Economic instability is clearly a complex phenomenon. Not all export instability results from external causes and not all externally generated instability is connected with exports. Several different analytical approaches are therefore possible. However, for practical purposes it seems best to distinguish the long-familiar instability of primary exports as a major problem in itself. First, the effects on the country concerned are of major proportions and can be seen more or less clearly. It has, for example, been estimated on a global basis that a change of only five per cent in average export prices is approximately equivalent to the entire annual inflow of private and public capital and government grants to under-developed countries.[1] Second, the remedies that have been or might be applied to help meet this particular problem—whether these remedies be domestic, international or even foreign—can be visualized fairly concretely.

Large export (and also import) fluctuations may well have a tremendous impact not only on a country's balance of payments position but also on its internal economy. The effect on the internal economy is conveyed by way of the fluctuations in income generated in the trade sector in the first instance, and in public revenue to the extent that public revenue derives from customs duties, an important factor for countries under consideration. Rising foreign demand and rising income in the export sector can give an impetus to economic growth by increasing both the effective demand for domestic products and the supply of foreign exchange to finance imports of developmental goods. The dangers are, however, that excessive income generated in the export sector will create inflationary pressure or multiply non-essential imports, and that later, unless foreign demand can be kept up at a continuously high level, the impetus to growth will cease, leaving the country with a difficult adjustment to effect. A development programme based on the expectation of continued strong foreign demand for a country's major exports may be partly paralysed if that demand weakens, and in the ensuing re-allocation of resources some waste may be unavoidable.

It should not, of course, be forgotten that price movements themselves serve as a mechanism of adjustment in demand and supply and in the allocation

[1] United Nations, *Introduction to the Annual Report of the Secretary-General on the Work of the Organization, 16 June 1955-15 June 1956*, (Document A/3137/Add.1), p.4.

of resources. Reasonable price fluctuations are useful and not to be condemned.[1] What is clearly damaging, even in some cases to the extent of contributing a serious threat to the success of plans for economic development, is the liability of prices to extreme upward and downward movements over short periods as a result of abnormal and temporary conditions against which adequate safeguards have not been prepared.

The extent of the impact of large export fluctuations on the balance of payments and the domestic sectors of a country's economy will depend in part on the domestic policies adopted. Part of an extraordinary rise in export income can be siphoned off by the government in various ways, such as monetary measures (e.g. multiple exchange rates), fiscal measures (e.g. flexible export duties), trade measures (e.g. state marketing of export products). The funds thus sterilized and the foreign exchange reserves thus accumulated can be used in a subsequent period when external demand for the country's exports is declining. While these measures may not always be entirely successful and while they may have some disadvantages, especially from the international point of view, they make an appreciable contribution to the reduction of the impact of export instability. The extensive and valuable experience of many countries of the region in this regard during the postwar years is therefore worthy of study.

International measures agreed upon by producing and consuming countries can contribute directly to the stabilization of prices and quantities of primary exports. Several such measures have been carried out in the past, for example, the International Tea Agreement. Some others—such as the creation of a buffer stock for rubber—are now under discussion.[2] However, there are at present only three international commodity agreements which affect major world export commodities, those for wheat, sugar and tin, and only the last two of these are of direct concern to producing countries of the region.

The balance of payments aspect of export fluctuations and the international measures by which the primary exporting countries of the region have sought to deal with the problem of export instability are considered in this chapter. The internal aspect, including the national measures taken, is discussed in chapter 6.

[1] Cf. United Nations, *Commodity Trade and Economic Development*, New York, 1953, especially pp.1-5.

[2] Outside the region, a number of governments have signed an international agreement on olive oil, but it has not yet come into force.

FLUCTUATIONS OF PRINCIPAL EXPORTS

General comparisons

Fluctuation in prices, volume and total export proceeds of individual export commodities may be viewed from several angles. The year-to-year variations and the "cyclical" movements experienced by the primary exporting countries of the region in the postwar period are examined in this analysis.[3] The changes within periods shorter than a year, which are of less general interest, and the long-term trends which, although certainly important, cannot be seen clearly over a comparatively limited number of years, are not dealt with.

The year-to-year fluctuation may be shown as a percentage change from the average of one year to the average of the subsequent year.[4] Such a change can be part of a continuing rise or fall. However, as will be seen from chart 14 and to some extent also from the last two colums of table 65, except for petroleum and Philippine sugar, rises and falls in price, volume and proceeds of exports of the ten selected commodities were fairly evenly distributed over the nine years reviewed. The average year-to-year fluctuations over this period are therefore generally meaningful in the sense that they do indicate ups and downs instead of a steady trend.

The average year-to-year fluctuations (plus or minus, in percentages) of export prices or unit values of exports (in terms of United States dollars) of the ten commodities have been considerable during the nine-year period—with the exception of Philippine sugar and petroleum, whose average year-to-year movements were less than 10 per cent. The range was 10-15 per cent for rice (Thailand), tea (Ceylon), tin (Indonesia and Malaya), sugar (China: Taiwan), and abaca (the Philippines), 15-20 per cent for rice (Burma), copra (the Philippines), and cotton and jute (Pakistan), and about 30 per cent for rubber. The unweighted average for the ten commodities was about 15 per cent.

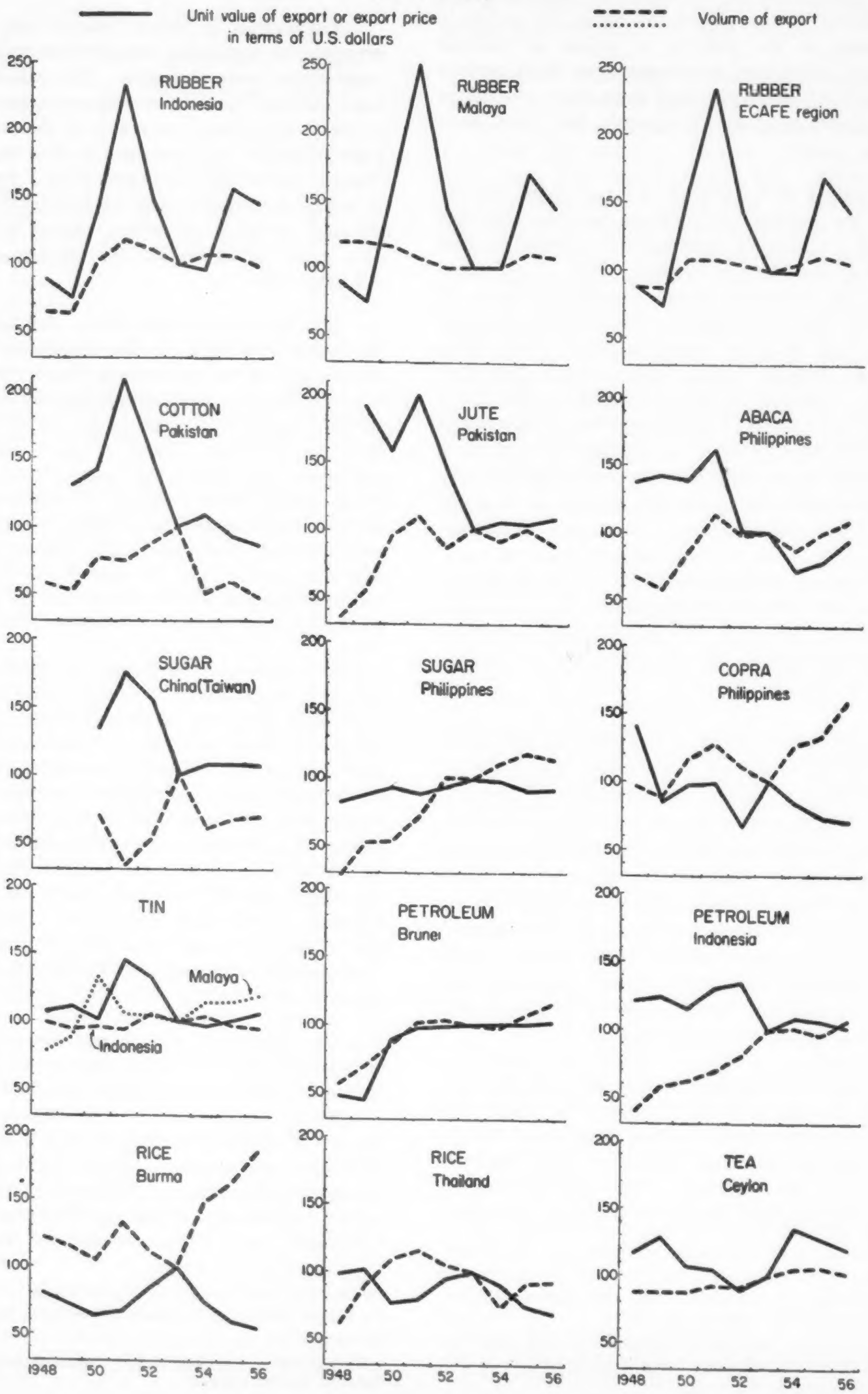
The quantity of exports of these commodities on the whole showed about the same or a slightly smaller degree of fluctuation. The average year-to-year changes of export volume of Ceylonese tea, Indonesian tin and Malayan rubber were less than 5 per cent, while the others ranged from 10-15 per cent for petroleum (Brunei and Indonesia), tin (Malaya), rubber (Indonesia), copra (the Philippines), and rice (Thailand), to 15-20 per cent for rice (Burma), sugar

[3] 1946 and 1947 are excluded from the statistical table because of the general prevalence of abnormal conditions immediately after the war.

[4] The change is measured in this analysis as a percentage of the higher of the two averages.

Chart 14. ECAFE Primary Exporting Countries: Indexes of Unit Value and Volume of Principal Exports, 1948-1956

(1953=100)



(the Philippines), jute and cotton (Pakistan) and abaca (the Philippines), and 32 per cent for sugar (China: Taiwan). The unweighed average was about 14 per cent.

Fluctuations in export proceeds will be greater than those in both export prices and export quantities, or on the other hand will be smaller than at least the larger of the other two, depending on whether price moves mainly in the same or the opposite direction as quantity. During the period under review, it was only in the cases of rice (Burma and Thailand), sugar (China: Taiwan) and tea (Ceylon) that the average year-to-year fluctuations of export proceeds were smaller than those of price or quantity of exports or both. In all other cases, export proceeds fluctuated more than both prices and quantities. In other words, variations of export volume accentuated the effects of price instability. In fact, for no one of these ten commodities were the average year-to-year fluctuations of export proceeds below 10 per cent. The ranges were 10-15 per cent for rice (Burma and Thailand), tea (Ceylon), tin (Malaya) and petroleum (Indonesia), 15-20 per cent for sugar (the Philippines), tin (Indonesia), and petroleum (Brunei), 20-25 per cent for sugar (China: Taiwan), copra (the Philippines), jute and cotton (Pakistan), and abaca (the Philippines); and 31-33 per cent for rubber (Indonesia, Malaya and the region as a whole). The unweighed average was 20 per cent.

While the average year-to-year changes in export prices and quantities give a general idea of the usual annual fluctuations, they do not clearly indicate the extent of the most serious fluctuation from one year to the next or the longest duration of rise or fall. These further points, however, are brought out by the last six columns of table 65A. The greatest single year-to-year fluctuation was, in the case of export prices, 53 per cent, for rubber. In the case of export quantity, it was also 53 per cent, for China (Taiwan) sugar. In the case of export proceeds, it was 64 per cent, for Indonesian rubber. The longest duration of rise or fall in either price or quantity—with the exceptions of Philippine sugar, Brunei's and Indonesian petroleum and Malayan rubber—was three years. It is clear that the fluctuations in the export proceeds are violent when an export price rises by 50 per cent annually for, say, two consecutive years and falls again by 50 per cent annually for another two consecutive years, even with only slight supporting changes in export quantity. Such ups and downs are possible, as the case of rubber shows.

Table 65. ECAFE Region: Fluctuation of Export Prices, Quantities and Proceeds of Principal Primary Commodities

(Plus or minus in percentages)

A. 1948-1956

Commodity and area	Average year-to-year fluctuation[a]			Largest year-to-year fluctuation[a]			Longest duration of continuous rise or fall (In number of years)		
	Proceeds[b]	Price[c]	Quantity	Proceeds[b]	Price[c]	Quantity	Proceeds[b]	Price[c]	Quantity
Rubber:									
Indonesia	32.7	d	10.7	63.5	d	39.0	3	3	2
Malaya, Federation of	30.5	29.4	3.6	56.2	53.4	9.6	2	2	4
ECAFE region	32.2[e]	d	5.6	59.0	d	19.4	3	d	2
Cotton:									
Pakistan, 1949-1956	24.3	18.7	20.8	46.0	35.4	49.6	3	2	2
Jute:									
Pakistan, 1949-1956	21.6	15.5	17.7	40.2	31.5	43.2	3	2	2
Manila hemp (abaca):									
Philippines	21.8	14.2	18.6	38.9	37.3	38.7	3	3	2
Sugar:									
China (Taiwan), 1950-1956	23.9	13.1	32.1	35.0	35.1	53.4	2	2	2
Philippines	16.8	4.8	15.6	54.0	7.1	47.7	7	3	4
Copra:									
Philippines	22.6	18.9	13.6	42.0	39.7	24.8	2	3	3
Tin:									
Indonesia	17.3	d	4.8	39.9	d	11.2	3	d	2
Malaya, Federation of	13.8	11.0	11.1	24.1	30.3	33.5	3	3	3
Petroleum:									
Brunei	15.3	8.8	9.9	59.8	50.3	19.7	4	5	4
Indonesia	12.7	8.2	12.3	33.7	26.1	32.3	4	2	6
Rice:									
Burma, 1950-1956	11.0	15.7	17.0	24.0	25.0	33.0	4	3	3
Thailand	14.7	11.0	14.9	35.2	24.8	33.2	2	3	3
Tea:									
Ceylon	10.9	11.3	3.1	26.5	26.4	8.0	3	3	3

B. 1948-1953 and 1953-1956 (Average year-to-year fluctuation)

Commodity and area	Proceeds[b]		Price[c]		Quantity	
	1948-1953	1953-1956	1948-1953	1953-1956	1948-1953	1953-1956
Rubber:						
Indonesia	40.5	19.7	d	d	14.0	5.2
Malaya, Federation of	37.7	18.6	35.8	18.8	3.4	4.0
ECAFE region	42.6	18.5	d	d	6.0	4.8
Cotton:						
Pakistan	22.7[f]	26.5	25.2[f]	10.2	15.4[f]	28.0
Jute:						
Pakistan	31.5[f]	9.3	24.3[f]	3.8	23.0[f]	10.3
Manila hemp (abaca):						
Philippines	23.3	19.4	11.5	18.6	23.0	11.3
Sugar:						
China (Taiwan)	28.1	19.8	23.7[g]	2.5	46.7	17.8
Philippines	23.8	5.1	5.6	3.4	20.9	6.6
Copra:						
Philippines	30.0	10.3	23.9	10.7	13.2	14.2
Tin:						
Indonesia	21.2	10.9	d	d	5.2	4.0
Malaya, Federation of	18.3	6.3	15.2	3.9	14.5	5.4
Petroleum:						
Brunei	20.9	6.0	13.4	1.1	12.3	5.9
Indonesia	15.9	7.3	9.9	5.2	16.5	5.3
Rice:						
Burma	11.7[g]	10.4	13.5[g]	17.8	15.9[g]	18.0
Thailand	15.5	13.3	10.7	11.5	14.2	15.8
Tea:						
Ceylon	8.4	15.0	10.5	12.6	2.9	3.4

Source: Export prices are from International Monetary Fund, *International Financial Statistics;* for export proceeds and quantities see *infra,* Asian Economic Statistics.

[a] A year-to-year fluctuation is defined as the change from the average for one year to the average for the subsequent year, expressed (for statistical reasons) as a percentage of the higher of the two average.

[b] Based on export value in terms of United States dollars.

[c] Except petroleum, for which the price in the United States market is taken, all the rest are market prices at ports of exporting countries or unit values of exports, expressed in terms of United States dollars. Prices or unit values of exports for 1949 are for January—August only. For details, see *International Financial Statistics.*

[d] For price fluctuations see figures for the Federation of Malaya, which were approximately the same.

[e] 1949-1956. [f] 1949-1953. [g] 1950-1953.

The most pronounced instability of commodity trade in the past decade resulted from the Korean boom and its subsequent abatement. Thus, a separation of the statistical data into two periods reveals that export fluctuations during 1953-1956 were much less than those during 1948-1953 (see table 65B). Except in the case of rice, Ceylonese tea and Philippine abaca, the average year-to-year fluctuation of export prices or unit values of export for all other commodities was considerably reduced in 1953-1956; for sugar, jute, tin and petroleum, it became about 5 per cent or less (as against 10 to 24 per cent in 1948-1953) and for copra and cotton a little over 10 per cent (as against around 25 per cent). The unweighed average year-to-year fluctuation in export prices for the ten commodities fell to 10 per cent in 1953-1956, as compared with 18 per cent in 1948-1953. Similarly, the unweighed average year-to-year fluctuation of export proceeds was reduced to 14 per cent in 1953-1956 from 23 per cent in 1948-1953. The only items whose export proceeds fluctuated more sharply during 1953-1956 were Ceylonese tea and Pakistani cotton.

As the underlying demand and supply conditions vary for different commodities, the factors involved can be best seen by considering these commodities individually.[1]

[1] For agricultural commodities, the following discussion has drawn heavily on various issues of *The State of Food and Agriculture,* published by the Food and Agriculture Organization of the United Nations.

Rubber

The world rubber market is the most unstable of all those under consideration. The violent fluctuations in export proceeds from natural rubber during the postwar period were caused chiefly by fluctuations in price, accentuated by a much smaller variation in quantity. The fact that export prices and quantities have moved in the same direction indicates that demand factors have been dominant in the market. The demand for natural rubber comes largely from countries outside the region, particularly the United States (which consumes about one-third of the world total) and western Europe (also one-third). Indeed, while the region normally produces about 95 per cent of the world's total output of natural rubber, it consumes less than 15 per cent of this total.

Between 1948 and 1956,[1] the price of rubber showed two violent ups and downs, with 1953-1954 as the dividing line. In the first cycle, the price index rose spectacularly from 75 to a peak of about 250 in 1951 and fell sharply to 100 in 1953. The Korean boom hit the rubber market with special violence, for the sudden sharp increase in purchases for strategic stockpiling was superimposed upon a strongly rising trend of industrial demand. The demand for commercial stockpiling was reinforced by the general fear in consuming countries that the source of supply might be cut off by an extension of military operations. However, the increase in production[2] was much less marked than the price rise, and the high prices that prevailed from late 1950 to early 1952 stimulated a substantial expansion in the production of synthetic rubber. In the United States, in order to ensure that stockpile requirements for natural rubber were met, the Government introduced regulations limiting the purposes for which it could be used, while synthetic rubber output was further expanded to meet manufacturing requirements. Thus, the proportion of natural rubber consumption to total world consumption of all varieties of rubber fell from 76 per cent in 1949 to 62 per cent in 1952. When purchases for stockpiling ceased, the price of natural rubber fell steeply in 1953 and 1954 to a level competitive with the synthetic product. This coincided with the virtual removal of limitations on the consumption of natural rubber in the United States. Consequently, the world proportion of natural rubber consumption rose again to 70 per cent in 1954.

The smaller second cycle began in 1955, touched off by the general expansion of industrial demand[3] in almost every rubber manufacturing country. As the production of natural rubber responded only moderately, the price rose to a point about twice that of synthetic rubber. Meanwhile, virtually all the government-owned production facilities of synthetic rubber in the United States were transferred to private concerns, and their output expanded considerably.

In the early months of 1956, when world demand for natural and synthetic rubber combined began to recede, especially in the United States and the United Kingdom, on account of cutbacks in automobile output, plans for the rapid growth of the synthetic rubber industry in Europe and North America exercised an additional adverse influence on the natural rubber market. In consequence, prices of natural rubber declined in the first half of 1956, although later in the year, owing to the uncertainty in supply and the advance in freight rates caused by the Suez crisis, they again advanced irregularly. In the first half of 1957, the recession trend re-emerged. The price level was still higher, however, than during 1953-1954 and higher than that of synthetic rubber.

The long-term outlook for rubber consumption is definitely upward. While automobile transport is becoming ever more popular and increasing with the growth of population and with economic development in the under-developed countries, newer uses of rubber in air transport, roads, furniture and so on also appear promising.[4] On the production side, however, output of natural rubber has not gained much since 1950. The existing stands of trees were largely planted about 25 years ago, and are now reaching the late stage of their economic life, so that the average yield, which at its present maximum for these trees is between 400-500 pounds per acre, is bound to fall. A development on which the future of the natural rubber industry to a considerable extent depends is the use of new strains of high-yielding stock for either replanting or new planting—trees capable of producing 800—2,000 pounds per acre. However, as it takes seven years for rubber to come into production, output of natural rubber may fail to increase significantly in the near future, especially because Indonesia has not carried out any major replanting or new

[1] World rubber production recovered rapidly after the end of the war and by 1947 had surpassed the prewar level. Most countries of the region shared in the recovery, with the notable exception of Indonesia which had only 22 per cent of total world production in 1947 as against 37 per cent on the average in 1937-1939, and again 38 per cent in 1955. Malaya, slightly in the lead in most prewar years, had 33 per cent in 1955.

[2] The response of production to the price rise was nevertheless impressive, especially from smallholders, who gave more attention to rubber tapping and less to the growing of rice and other crops. At this time, also, estate production in Indonesia recovered substantially.

[3] For the first time since the war, the competing demands of strategic stocks were much less important.

[4] The Paley Commission in the United States estimated that world consumption of all types of rubber would rise to 5 million tons by 1975, as against present production of around 3 million tons, which includes about 2 million tons of the natural product.

planting. The gap between consumption and production has therefore to be met by synthetic rubber, for which the production capacity is expanding not only in the United States but also in Europe. To compete with synthetic rubber, natural rubber must keep its costs of production down. It has been suggested, for example, that Malaya's production costs must be low enough to permit sales of natural rubber at 60-75 Straits cents a pound.[1] This is possible, given replanting or new planting of the new varieties of rubber trees.

COTTON, JUTE AND ABACA

Cotton

Export prices of cotton and jute in Pakistan showed large fluctuations before 1953, but have been much less variable since. The area sown to cotton was severely restricted in the Indo-Pakistan subcontinent during the war, owing both to the export difficulties and to the need for increased food production. The consequent low level of cotton production in this area (as well as in other soft currency countries) pushed prices above the United States level. The Korean boom raised the price still further. The boom was soon over, and cotton prices fell steeply in 1952 and 1953. Production and shipments of Pakistan cotton, however, increased. In 1953, the food crisis of Pakistan necessitated some restriction of the sown area under cotton and, in addition, unfavourable weather conditions adversely affected production. Exports of cotton fell by one-half in 1954, while the price rose slightly. Since then, the level of cotton exports from Pakistan has remained low, as the expansion in Pakistan's own cotton textile industry absorbs an increasing proportion of domestic output.

The long-term trend of cotton prices appears to be downward, since consumption in North America and Europe seems static at best, and rayon and other artificial fibres are encroaching on cotton markets. In other areas, cotton consumption is apparently rising, but the increase in consumption on a global basis may not be able to keep pace with production. While the latest acreage restrictions in the United States will tend to strengthen the world cotton market, the reduction in the level of the United States support price and the disposal of surplus at world market price levels may prevent prices from rising to any significant extent.

Jute

The world jute crop is concentrated in the ECAFE region—especially East Pakistan (which produces 60 per cent of the world total, excluding mainland China) and the adjacent area in India (where it is about 35 per cent).[2] On the other hand, the region consumes less than one-fourth of the world total of jute manufactures, as against 30 per cent for Europe and 18 per cent for North America. The crop competes for land with rice and for markets with paper, largely produced outside the region. In the late war years, the acute shortage of rice resulted in large-scale diversion of land from jute to rice, and consequently, as jute production was very small in relation to demand, the price was high during the early postwar years. Production began to expand substantially after 1949, when the high price of jute had made the jute-rice price relationship more favourable to jute planting. As a result of abundant supply, jute prices fell in 1950. However, from about the end of that year, the increasing intensity of demand following the outbreak of Korean hostilities raised the price again to a peak in 1951, in spite of a further increase in supply. Termination of control over jute prices by the Indian Jute Mills' Association also contributed to this price rise. High prices led, in turn, to increases in the use of substitute materials and a substantial decline in the consumption of raw jute. This, coupled with recession from the Korean boom, and also larger crops, brought the export price of raw jute down by one-half during the two years 1952 and 1953. The new rice-jute price ratio, which adversely affected the incentive to plant jute, reduced jute crops in the following years and contributed to steadying the jute price. Year-to-year fluctuations in the quantity and proceeds of jute exports from Pakistan also became much smaller.

The instability in supply and prices of jute has limited the growth in its utilization, as markets lost to substitutes in periods of short supply and high price are difficult to recapture. In fact, over the last forty years the use of jute has remained stationary. The development of bulk handling and of standardized pre-packaging for the retail trade, and the increasing availability of cheaper or more readily available substitutes, especially paper, have adversely affected the demand for jute. An expansion in the world consumption of this product depends to a large extent on a reasonable stability of price at a level competitive with its substitutes.

Abaca or Manila hemp

While this commodity competes with sisal, henequen and hemp as a raw material for rope and twine, it also possesses special advantages for marine purposes for which it seems to be best among the various hard fibres because it is resistant to sea water. The main markets are the United States (one-third), Japan (almost 30 per cent) and the United Kingdom (15 per cent). Virtually all of the world's abaca comes from the region. The

[1] Report of the Committee of British Experts under Prof. G.E. Blackman, appointed by the Rubber Producers' Council in 1956 to report on the Malayan rubber industry. In October 1957, the price of natural rubber R.S.S. No.1 in Singapore was 83.5 Straits cents.

[2] These figures refer to jute only, omitting the considerable amounts of mesta (kenaf) produced in India.

Philippines alone produces over 90 per cent, and British Borneo and Indonesia combined about 4 per cent.[1] Philippine production, however, is now only some two-thirds of what it was before the war, chiefly because the industry has been plagued by a mosaic disease. Meanwhile, production of other hard fibres, especially sisal, has gone up, so that abaca's share in the total world hard fibre supply has been considerably reduced in postwar years.[2]

There seems to be a positive correlation between prices and quantities offered as far as Philippine abaca is concerned (see chart 14), the supplies responding definitely to price incentives. This indicates that demand factors largely determine the prices and the degree of market stability. The export price and quantity of abaca both rose substantially in 1951 on account of the Korean war boom, fell considerably when the boom abated and after 1954 again showed rising trends as world demand for shipping mounted. Since, in the foreseeable future, this demand for shipping will continue to be brisk, it would seem that prospects for abaca are good.

The situation is not completely assured, however, as the amount demanded also varies with the price relation of abaca to its close substitutes. At present, the chief natural competitor of abaca is sisal, the demand for which rises when the price of abaca goes up. Another factor operating in favour of sisal is the world-wide dollar shortage, as sisal is in large part a sterling-area product. There is also competition from steel cable and from nylon, both of which are longer-wearing than abaca, though more expensive. If the price of nylon, which is now about four times that of abaca, should go down, abaca will run the danger of being at least partially displaced. The problem, therefore, is to reduce the cost of production of abaca and to prevent the price from periodically rising too high.

Copra and sugar

Copra

Copra[3] is the chief vegetable oil seed export of the region, which in 1938 and again in 1950 supplied 82 per cent of total world exports of copra and coconut oil, mainly to countries outside the region. The world's largest exporter of copra is the Philippines, followed far behind by Indonesia and still farther by Ceylon and, finally, Malaya. Philippine exports of copra and oil together are about twice the prewar figure, but Indonesia's exports are only about three-fifths of it. In Ceylon, a prewar level of exports of coconut products has been maintained.

Year-to-year fluctuations of the price of copra have been substantial, exceeded only by rubber. Just after the war, the world shortage of fats and oils held prices high, and only the prompt recovery of Philippine production coupled with International Emergency Food Council controls kept them from rising even more. The peak average price was reached in 1948, a year when typhoons struck the coconut regions in the Philippines. The subsequent decline was reversed by the stockpiling of strategic materials during the Korean war,[4] just when synthetic detergents were making inroads on the United States market for natural oil soaps. There was a collapse in 1952, but rebuilding of stocks in 1953 brought prices up. Since then, prices have fallen and been stabilized at a level about 25 per cent below 1953.

Barring natural factors such as a destructive typhoon or drought, in the short run the supply of copra is quite responsive to price. For example, 1951, a year of high prices, was also a year of peak exports. However, since 1954, in spite of relatively low prices, production in the Philippines has continued to rise, apparently as a result of postwar planting now coming into production, and of an attempt to maintain earnings by larger volume in spite of lower prices.

Market prospects[5] for copra are a matter of great concern to the producing countries. The Philippines has a near monopoly of the United States market by virtue of a law passed in 1934 imposing an internal revenue tax on coconut oil (copra is on the United States free list) but guaranteeing a preference of 2 cents a pound for oil processed from Philippine copra. Demand in the United States for coconut oil is at present only for inedible uses, as the edible uses have been taken over by American fats, especially cottonseed oil. Moreover, synthetic detergents made from petroleum hydrocarbons have made great inroads on the soap market. In August 1957, however, the United States Congress passed a law suspending for three years the internal revenue tax of 3 cents per pound on coconut oil from Philippine copra. Since this tax constituted a substantial fraction of the cost of the oil, coconut oil may now be in a better position to compete with the synthetic hydrocarbons.

[1] Production expanded in Central America during the war, so that about 13 per cent of world production came from this source in the early postwar years, but the proportion has since been steadily declining and is now down to about 5 per cent.

[2] About 17 per cent in 1953 as against 29 per cent in 1938.

[3] The coconut is one of the chief world sources of fats and oils and is used for edible purposes (margarine, cooking lard) as well as inedible (soaps, fertilizer, explosives). Copra is the dried coconut meat which, when pressed, yields coconut oil and copra cake and meal. Coconut products are exported in four forms: the raw material, copra; coconut oil; meal and cake (used for livestock feed and fertilizers); and desiccated coconut, for confectioneries. Copra as such, therefore, encompasses only one part (though the leading part) of the world market for coconut products.

[4] Coconut oil is the cheapest source of nitroglycerine, used for explosives.

[5] The major markets for copra are the United States and Europe. India also is important, though it hopes to be self-sufficient in the future.

In Europe, coconut oil remains important for edible as well as inedible uses. Margarine production is rising. In this market, the supplying countries from the region compete with each other. Most of the expansion in Philippine copra exports in recent years has been to this area,[1] especially as Ceylon's production has been channelled to India and Pakistan and as Indonesia's production has not risen.

Sugar

The world market for sugar cannot be regarded as integrated. It has two major compartments only loosely related to each other: the relatively steady preferential market[2] and—covering not more than about one-third of the total trade—the "free" market. During the postwar period, the price in the world free market fluctuated considerably before 1953, was stable during 1953-1956 and fluctuated again after 1956.

With world sugar output much reduced at the end of the war, the scarcity and high prices necessitated the prolongation of rationing and stimulated production. Expansion was aided also by better varieties and by developments in processing. When eventually the increase in production, especially in countries outside the region, outran the increase in consumption resulting from de-rationing and from the growth of population and incomes, stocks accumulated and prices fell steeply from the peak reached during the Korean boom in 1951. The tendency toward surplus production and declining prices continued until 1953 and led to the establishment of the International Sugar Agreement.

The Agreement came into operation in 1954 and, by the application of the maximum permissible reduction in export quotas, relieved the pressure on the glutted market.[3] During a major portion of the period 1953-1956, the price was close to the minimum price of 3.25 United States cents a pound stipulated in the Agreement, and at times even fell slightly below it. Toward the end of 1956, however, at the time of the Suez crisis, it rose phenomenally, following a steady expansion in consumption, and during the first half of 1957 it rose further and exceeded the maximum price of 4.00 cents a pound provided for in the Agreement. The export quota restriction, therefore, became inoperative and the prices were more or less stabilized at a level slightly below the maximum, in late 1957.

The major sugar exporters of the region are Indonesia, the Philippines and China (Taiwan). Owing chiefly to the destruction and decline of sugar estates, to general economic dislocation and to increased domestic consumption, sugar exports from Indonesia have been very small in the postwar period. Philippine sugar exports are almost entirely shipped to the United States,[4] which has paid a price much more stable and generally higher than the free market price. With this stable and steadily rising price, and the rapid increase in the volume of exports following the speedy rehabilitation in the country's sugar production, Philippine sugar export proceeds have risen almost without interruption.[5]

By contrast, the considerable fluctuations in the world free market price of sugar have rather seriously affected the external trade and payments of China (Taiwan). The average year-to-year fluctuation of the export price of Taiwan sugar during 1950-1956 was 13 per cent, as compared with less than 5 per cent for the Philippines. Taiwan has tried hard to increase sugar production and exports, since it depends very largely on the export of sugar to finance its commercial imports. High prices have naturally stimulated larger production and exports, but on the other hand falling prices have also created a tendency to produce and export more in an effort to combat payment difficulties. Thus, although the price fell in 1952, Taiwan still endeavoured to increase production. The use of better varieties resulted in a record sugar export volume in 1953, almost double that of the previous year. However, as this coincided with a 50 per cent drop in the export price, export proceeds increased by only 30 per cent.

After the establishment of the International Sugar Agreement the price fluctuations on the world market were considerably reduced. They were less than 3 per cent for 1953-1956, as compared with 24 per cent for 1950-1953. For China (Taiwan) the resulting greater stability is shown by the fact that the average year-to-year fluctuation of sugar export proceeds declined to 12 per cent, as against about 28 per cent, for these two periods. The benefits of stability have had to be weighed, however, against the loss in foreign exchange sustained by Taiwan initially. The Agreement came into force just at a time when Taiwan had succeeded in introducing a new variety of sugarcane from South Africa which made it possible to raise the per hectare yield by approximately one-third. But Taiwan was allotted a basic export tonnage of 600,000 tons, compared to 870,000 tons exported in

[1] Actually in 1957 the Netherlands emerged as the best customer for Philippine copra. The Netherlands buys for the rest of Europe.

[2] Mainly (1) the preferential market of the United States for (domestic sugar production and) sugar imports under quotas chiefly from Cuba, Puerto Rico, Hawaii and the Philippines, and (2) the preferential market of the British Commonwealth under the arrangement of long-term bulk purchase contracts.

[3] See below, pp.135-137.

[4] The country's total sugar exports have exceeded the United States quota only slightly since 1954.

[5] Recently domestic consumption has increased to such an extent that in 1957 it was found impossible to fill the United States quota from 1956/57 production.

1953, and in consequence the levels of both export quantity and proceeds of sugar were substantially lower during 1954-1956 than in 1953. At the second session of the United Nations Sugar Conference held in Geneva in late 1956, the basic export tonnage was increased for 1957 and 1958 to 655,000 tons, in addition to a special quota of 95,000 tons.

Tin and petroleum

Tin

The region supplies nearly two-thirds of the world's tin and consumes less than 10 per cent. The demand for tin, again, comes chiefly from countries outside the region, particularly the United States (which takes a little less than 40 per cent of the world total), followed by the United Kingdom (about 16 per cent). Since 1946, tin prices have moved in three distinct stages. The first stage, from 1946 to 1949, was a period of upward adjustment,[1] a natural reaction against the long wartime period of unchanged price and low level of production. The large producing areas of the region were mining at a negligible rate at the end of the war. Recovery of production progressed satisfactorily in Indonesia, and also in Malaya (in spite of the emergency), and by 1948 and 1950 respectively the tin output of these major producers exceeded prewar levels.[2]

During the second stage, from 1950 to 1953, tin prices fluctuated considerably, following the onset and termination of the Korean boom. The outbreak of hostilities in mid-1950 produced an intensive international scramble for tin, especially for stockpiling in the United States. Then, in mid-1951, the United States stopped buying and applied restrictions on the use of tin. The price in Singapore soared by about 45 per cent between 1950 and 1951 but fell back to the 1950 level in 1953.

The third stage, beginning in 1953, was marked by comparative price stability under the International Tin Agreement.[3] The average year-to-year fluctuation of tin prices, which had been 15 per cent for 1948-1953, was only 4 per cent for 1953-1956. The continuance of buying by the United States, a non-member, also contributed to the stability. The quantity exported from Indonesia was fairly constant, but that from Malaya varied considerably. Since prices and quantities of exports usually moved in the same direction, both countries showed fluctuations in tin export proceeds which were greater than those in price or quantity alone.

Petroleum

Owing to firm control by a few large companies, prices of petroleum were fairly stable throughout the Korean war and the Suez crisis. Petroleum export earnings of Brunei and Indonesia have shown a generally rising trend, parallel with the growth of output.

Rice and tea

Rice

Unlike other major primary exports of the region which are largely shipped to countries outside the region, rice is for the most part traded within the region, the buyers being chiefly raw-material exporting countries which have deficits in food production. Thus, changes in the international price of rice tend to alter the terms of trade of these two groups of countries of the region in opposite directions.

The international price of rice has fluctuated substantially during the postwar period.[4] Apart from minor variations in the early postwar years,[5] the movements of the unit values of rice exports of Burma and Thailand—the postwar world's two major rice exporting countries—have shown two distinct phases: the rising phase up to 1953 and the falling phase since then. In terms of local currency, the unit value of exports of "rice and rice products" of Burma rose from Kyat 468 in 1947/48 to Kyat 849 in 1952/53, and then fell to Kyat 455 in 1955/56,[6] a movement within a span of nine years of about 45 to 46 per cent up to and down from the peak. These wide swings can be explained by changes in both the world supply of exportable surplus of rice and the world import demand.

During the first phase, a seller's market prevailed: rice was in short supply, and prices were rising. Physical destruction and economic dislocation were widespread in Burma and in Cambodia-Laos-Viet-Nam, and to a lesser extent in Thailand. Drainage and irrigation were hampered and neglected and draught animals were scarce. Civil unrest also disrupted rice production and transport. As domestic demand

[1] The tin price in terms of pounds sterling continued to rise in 1950, but in terms of dollars it fell because of devaluation of the pound.

[2] On the other hand, Burma's tin production in 1949 was only about one-fourth of its prewar level, as a result of insurgent activity, and Thailand's about one-half, on account of difficulties in re-equipment and rehabilitation. (Percentages of world output produced in the period 1951-1955 were: Malaya 34 per cent, Indonesia 19 per cent, Thailand 6 per cent, mainland China 4 per cent and Burma less than 1 per cent.)

[3] For the operation of the International Tin Agreement, see below, pp.137-138.

[4] For instance, the average year-to-year fluctuation of the unit value of exports of Burmese rice was about 16 per cent during 1950-1956, as compared with 7 per cent during 1924-1940 if the great depression years from 1930 to 1932 are excluded. FAO, *The Stabilization of the International Trade in Rice*, August 1955, (Rome), p.8.

[5] The unit value indexes of rice exports of Burma and Thailand shown in chart 14 are in terms of United States dollars. The indexes for 1948 and 1949 are therefore much higher than in terms of pounds sterling or of their national currencies, which were devalued in September 1949 along with the pound.

[6] Union Bank of Burma, *Bulletin*.

steadily increased in line with population growth, the governments of the rice exporting countries naturally accorded first priority to meeting domestic demand. The export and stock policies which they followed, in anticipation of rising prices, likewise contributed to higher prices and smaller exports. Total world exports of rice declined from an annual average of 9.6 million tons in 1934-1938 to an average of 3.9 million tons in 1946-1952, in spite of the great postwar demand for rice imports resulting from low levels of production and increases in population in the food-deficit countries of Asia. This pressing import demand for rice appears also to have been reinforced in 1950-1952 by the increased income which the raw material exporting countries of the region obtained as a result of the Korean boom.

The high price and shortage of rice led the importing countries as well as other competing exporters, especially those outside the region, to increase greatly the acreage under rice. Even while rice acreages in Burma and Thailand were recovering, rice output rose sharply in several countries outside the region, particularly Brazil, Egypt and the United States, and part of this increase was made available for export. Meanwhile, substitution of other cereals for rice also took place on a substantial scale.[1]

By 1952/53, the world rice output as well as the Asian output surpassed prewar levels and, in view particularly of the crop expansion in the Asian importing countries, the seller's market gave way to a buyer's market. Since the major exporting countries were reluctant to make downward price adjustments, the volume of sales was greatly reduced, and stocks accumulated. After mid-1953, some price concessions began to be made by government selling agencies in Burma and Thailand, but soon another world bumper crop depressed the price further. In the period since 1953, the export price has declined faster, the export volume has risen faster, and export proceeds have fallen less in Burma than in Thailand.

After the abolition of rationing in most countries, and the liberalization of import and export restrictions, rice consumption and trade have gradually been restored to normal, although bilateral contracts have continued to be used extensively by Burma for obtaining markets abroad. It now appears that the major rice exporting countries of the region realize the need to make price adjustments to meet changes in demand and supply and take some account of reductions in the prices of other foodgrains. Outside the region, acreage restrictions have been applied in the United States, and the price support scheme of Italy has been altered. Output in these two countries has fallen considerably. With the successful disposal of surplus stocks and the expansion of import demand in 1956 and 1957, the world rice demand and supply seem to be approaching a temporary equilibrium, and export prices appear to have levelled off.

Future trends in the world rice market will depend on a number of factors. Exports can be expected to be more unstable than output. On the whole, in the major rice exporting countries, both crop failures and bumper crops are rare. Both the exportable surplus and the import demand, on the other hand, represent residuals which, as minor fractions of domestic production, are likely to fluctuate considerably more percentagewise.[2] Thus, the low proportion of world rice trade to world rice production implies a continuous threat, at least, to the stability of world rice markets. A second major consideration is the tendency of virtually all rice growing countries of Asia —exporters and importers alike—to raise their rice output, through greater acreage or higher yields (by terracing and irrigation, use of more fertilizer, control of pests, more intensive methods of cultivation and so on) or frequently both combined. However, while Asian rice production thus promises to increase rather rapidly in the near future, rice production in countries outside the region appears unlikely to do so. Thirdly, the demand for rice can be expected to increase more or less in line with the rate of population growth, and also, to a lesser extent, with such increase in real income as may result from economic development and from possible reductions in the price of rice itself.[3] At present, the population of the ECAFE region (excluding mainland China) is increasing by about 15 million persons annually. In the fourth place, the price of rice is still far too high in relation to other cereals. For instance, taking the price ratio between wheat and rice in 1937 as 100, it was 57 in 1956, although it had risen since 1954. This suggests that, if cereal consumption is to move back to its prewar pattern, the price of rice will have to fall further, as there is hardly any expectation that the price of wheat will rise. Changes in the price ratio between

1 In 1934-1938, seven leading Asian rice importing countries bought annually about 5.25 million tons of rice (net) and less than 0.25 million tons of other cereals; in 1951, they took 3.25 million tons of rice as against 7.25 million tons of other cereals.

2 Thus, in Burma, for instance, while the average year-to-year fluctuation in paddy production during the postwar period was less than 10 per cent (less than 5 per cent in 1926/27-1939/40), that of export quantity was about 17 per cent.

3 "In the Far East real incomes are low and the amount of food consumed per head is insufficient for adequate nutrition. In Malaya before the war over 500 grammes a day of milled rice were used per head. The present average for the Far East is about 275 grammes. This suggests that a very considerable increase in the consumption of rice would take place if real incomes were substantially higher or if rice were substantially cheaper, porvided of course that the additional rice were available." FAO, *The Stabilization of the International Trade in Rice*, p.34.

rice and other crops competing on the supply side—e.g. rubber, jute and sugar—may also, of course, affect the international trade of rice, especially in the short run.[1]

These factors, taken together, suggest that world rice production and consumption should both increase at a fairly high rate in the coming decade, with a falling price trend, and that the price fluctuations are likely to be smaller than in the last decade, and smaller than those of most other primary export commodities of the region.

Tea

The region produces about 95 per cent of the world's tea (excluding the Soviet Union and mainland China), and of the region's output 70 per cent is exported, chiefly to countries outside the region, in particular the United Kingdom (which takes nearly one-half of total world tea imports) and the United States (11 per cent).

The volume of world production and trade in tea have both expanded steadily in postwar years in line with demand, the fluctuations being rather small. The price, however, has varied more. During 1948-1956, the average year-to-year fluctuation of Ceylon tea was only 3 per cent for export quantity, but 11 per cent for price, the latter being still among the lowest of the region's major primary exports—and much less marked than in the case of coffee and cocoa. The lowest price (in 1952) was attributable to an exceptionally large Indian crop, coupled with the continuation of rationing in the United Kingdom. The highest price (1954) was largely a result of unfavourable weather and of output restrictions by producers in northern India in reaction to the low price in the previous years. Before 1955, exports and planting were regulated by national associations of tea producers and, internationally, by the International Tea Committee.[2] These arrangements helped to achieve an orderly development in production and exports, although the controls applied were actually not very strict. The price of tea in London rose sharply in late 1956 with the closing of the Suez Canal, but became fairly stable again in 1957.

The recent accentuation of fluctuations in the price of tea, as compared with the prewar period, may, to some extent, be due to the disintegration of the world tea market. As Ceylon, India and Pakistan have been encouraging direct sales instead of sales at the London auctions, the weekly auctions at Colombo, Calcutta, Cochin and Chittagong have gained in importance. With the breakup of the world tea market into smaller sectors, local factors and influences, such as a seasonal flush or a temporary shortage in ocean-going bottoms, exert greater effect. The price tends, therefore, to be more variable, although the elimination of one part of the middlemen's commission through direct sales may make the average level of prices received by the producing countries somewhat higher.

REPERCUSSIONS ON THE BALANCE OF PAYMENTS

When a country depends heavily on a few exports, its balance of payments is highly vulnerable. To begin with, fluctuations in prices, volume and proceeds of these major export commodities significantly affect its total current export earnings. Second, while import price changes likewise influence the terms of trade, the export price fluctuations tend to be the dominant factor, so that they, together with changes in export quantities, in a substantial degree determine the country's capacity to import in real terms. Fluctuations in export proceeds, moreover, tend to induce further import fluctuations indirectly through the "income mechanism". Capital movements may or may not serve as a stabilizer, and foreign exchange reserves may not be large enough to cushion these repercussions satisfactorily.

FLUCTUATIONS IN TOTAL VALUE, UNIT VALUE AND VOLUME OF EXPORT

Fluctuations in proceeds from principal export commodities have greatly affected the total export proceeds of all the region's primary exporting countries whose postwar experience is here under review. In those countries where one commodity accounts for the bulk of the total export value, movements of total earnings have naturally followed very closely the movements of that item. Thus, in Brunei, during 1948-1956, the average year-to-year change (practically always upward) was 16.1 per cent for total export earnings and 15.5 per cent for petroleum export proceeds, and in Burma during the same period the average year-to-year fluctuation was 12.6 per cent for total export earnings and 13.5 per cent for rice export proceeds.[3] In countries where two or more commodities contribute substantially to total export earnings, the movements in export proceeds from individual commodities may, of course, to some extent offset each other, so that total export earnings may fluctuate less than the export proceeds from the most unstable commodity by itself. In fact, a comparison of the first columns in tables 65 and 66 shows that the average year-to-year fluctuations of total export earnings were (except in Brunei, as mentioned above) less than

[1] See below, chapter 6.

[2] See below, p.135.

[3] The figure for rice differs from that in table 65 because of a difference in time period; also, in view of further gaps in the available data, calendar year figures are here used for total export earnings, while the figures for 1950 and 1951 in table 66 refer to fiscal years.

those of the corresponding most unstable commodity in each country.[1] In Thailand, for instance, the fall of rubber and tin prices after early 1951 was largely offset, until 1953, by the continuous rise in the price of rice. Consequently, the percentage decline in Thailand's total export earnings was less than that of major rubber exporting countries, such as Malaya.

However, despite such offsetting of different commodities, fluctuations of total export earnings of the region's primary exporting countries were still very substantial during 1948-1956. The average year-to-year fluctuations exceeded 9 per cent in every case, ranging from a little over 9 per cent for Brunei to 10-15 per cent for Cambodia, Thailand, Ceylon, the Philippines and Sarawak (listed in ascending order), 15-20 per cent for the Federation of Malaya and North Borneo. These averages, moreover, conceal the largest fluctuations from year to year, which more truly reflect the extremes of instability experienced. Such fluctuations (indicated in table 66 by figures in parentheses) were, except in the case of Cambodia, all above 18 per cent. For nine countries, the maximum year-to-year change was at least 25 per cent; for six, it was at least 33 per cent, in the highest case (China: Taiwan), it was 65 per cent. In general, the raw material exporting countries showed greater fluctuations in their export earnings than the countries exporting food (rice, tea and sugar). Brunei, however, in exporting petroleum, had the smallest variations of any. China (Taiwan) and Burma also were exceptions in this regard. It may be noted that the large variations in their export proceeds were due to marked changes in export volume.

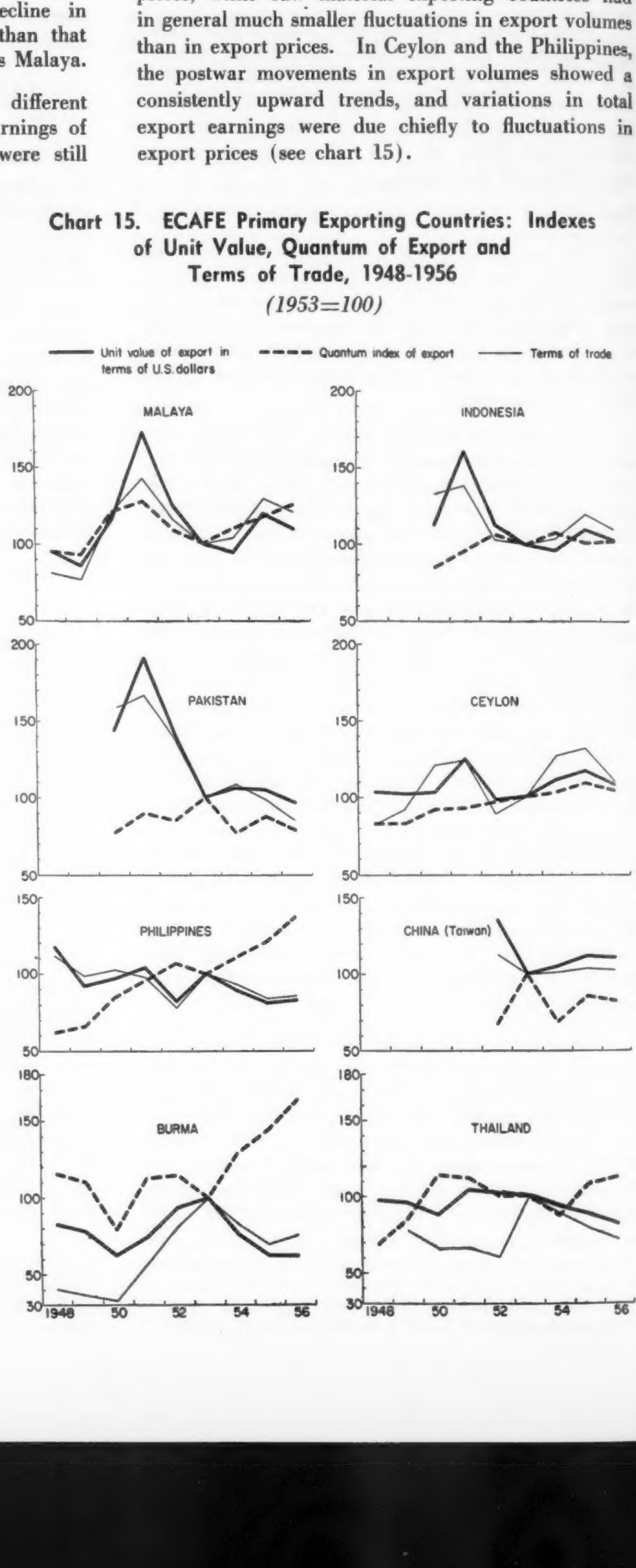
The fluctuations of total export earnings have a close correlation with those of unit export values, or prices. With the exception of China (Taiwan) for the reason just mentioned, the greater the average year-to-year fluctuation in the unit value of export, the bigger also the average year-to-year variation in the total value of exports. In general, the raw material exporting countries had greater fluctuations in export prices than the rice, tea and sugar exporters. Thus, while the average year-to-year fluctuations of the unit value of export were below 15 per cent for Ceylon, Thailand, China (Taiwan), the Philippines and Burma, they were above 15 per cent for the Federation of Malaya, Indonesia and Pakistan.

[1] In the case of Ceylon fluctuations in export proceeds were greater for rubber than for tea, the item shown in table 65.

From another angle, China (Taiwan), Burma and Thailand. (rice and sugar exporting countries) had greater fluctuations in export volumes than in export prices, while raw material exporting countries had in general much smaller fluctuations in export volumes than in export prices. In Ceylon and the Philippines, the postwar movements in export volumes showed a consistently upward trends, and variations in total export earnings were due chiefly to fluctuations in export prices (see chart 15).

Chart 15. ECAFE Primary Exporting Countries: Indexes of Unit Value, Quantum of Export and Terms of Trade, 1948-1956

(1953=100)



Whenever export volumes moved in the same general direction as export prices, fluctuations in total export earnings were, of course, accentuated (the extreme example being Malaya), and whenever they moved in the opposite direction, fluctuations in total export earnings were reduced, as in China (Taiwan). The positive response of rubber output to considerable changes in rubber prices made Malayan export earnings extremely unstable. The case of Ceylon was similar to that of Malaya, while those of the two rice exporting countries (Burma and Thailand) and the Philippines (especially after 1953) resembled that of China (Taiwan). Other raw material exporting countries bore closer resemblance to the cases of Ceylon and Malaya, although they sometimes showed time-lags between changes in export prices and changes in export volumes.

In short, owing to greater variations in export prices and a generally positive response of output to prices, the raw material exporting countries of the region experienced more export instability than the rice and sugar exporting countries, unstable though the export condition of the latter was, too.

TERMS OF TRADE AND THE EXPORT-BASED CAPACITY TO IMPORT

Owing to the present limited manufacturing activity in most of the primary exporting countries of the region, they have had to depend largely on imports for the supply of manufactured goods. In addition, some of the raw materials exporting countries, e.g. British Borneo, Ceylon and Malaya, have had to rely on imports for a substantial portion of their food supply. Indonesia, Pakistan and the Philippines, although importing proportionally less food than these three, have also had a precarious supply of domestic food, necessitating substantial imports, especially in times of crop failure.

The capacity of these countries to import is determined chiefly by their export earnings, since exports are the major foreign exchange earners in their balance of payments. The degree to which exports can purchase imports, or "the export-based capacity to import", is in turn determined by total export earnings and by the prices of import commodities for which exports are exchanged.[1] The export-based capacity to import, speaking more precisely, can be expressed by the total current value of exports deflated by the unit value of imports, or, as an index number, by the export quantum multiplied by the terms of trade.

[1] "The capacity to import" differs from "the export-based capacity to import" in also taking into account the net effect of other exchange receipts and payments, e.g. capital inflow, aid, profit remitance and other invisibles.

Table 66. ECAFE Primary Exporting Countries: Aspects of Export Fluctuations, 1948-1956

(Average year-to-year fluctuations in percentages, plus or minus)

Country and period	*Total value of exports*[a]	*Quantum of export*	*Unit value of export*	*Unit value of import*	*Terms of trade*	*Export-based capacity to import (at 1953 prices)*	*Actual imports (at 1953 prices)*
North Borneo, 1950-56	25.4(45.6)	...	...	...	...	...	...
Malaya, Federation of[b]	20.6(39.9)	9.8	19.0	8.9	15.0	18.7	9.1
Indonesia	18.9(38.1)	11.3	15.8	8.7	9.8	10.9	17.6
Pakistan, 1950-56	18.2[c](35.9)	13.4	15.9	8.6	13.7	15.9	18.1
China (Taiwan), 1952-56[c]	16.3(65.0)	21.8	9.3	5.9	4.2	20.4	8.7
Burma	15.7(37.4)	15.5	14.3	11.2	19.2	19.6	23.8
Sarawak, 1950-56	14.5(32.4)	...	...	...	...	...	...
Philippines	14.0(24.8)	10.9	11.9	4.3	10.1	11.3	13.6
Ceylon	11.1(21.3)	3.9	8.2	11.4	14.6	16.4	4.7
Thailand	10.8(18.7)	11.6	9.0	12.2	14.0	12.7	10.6
Cambodia, 1955-56	10.4	...	...	...	...	...	...
Brunei, 1950-56	9.4(25.0)	...	...	...	...	...	...

Note: (1) Total value, unit values, terms of trade, capacity to import and actual imports are all in terms of United States dollars.

(2) Countries are arranged in descending order according to the degree of average year-to-year fluctuation of total value of exports.

[a] Figures in brackets are largest year-to-year fluctuations.

[b] Unit value and quantum indexes are for Malaya (Federation and Singapore) as a whole.

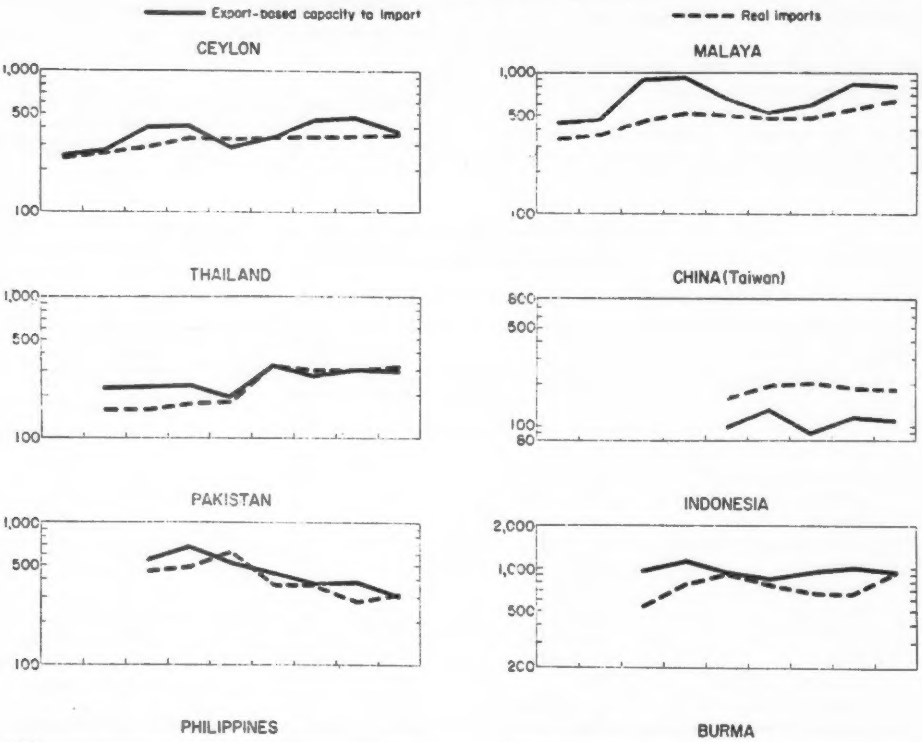
[c] Unit value indexes of imports and exports are derived from indexes of total value and of quantum of imports and exports.

It can be seen from table 66 that, except in the case of China (Taiwan) and Indonesia, year-to-year fluctuations of the terms of trade have on the average been either approximately the same as or (usually) greater than those of the export quantum. In other words, in most countries under review, fluctuations in the export-based capacity to import were due more to changes in the terms of trade than to variations in export volumes. In most cases, movements in the terms of trade have in turn followed movements in unit value of exports more closely than movements in unit value of imports. This is clearly shown in chart 15.[1]. From table 66 it can also be seen that, except for China (Taiwan), the average year-to-year fluctuations in the terms of trade were in all cases greater than those in the unit value of imports. Thus, in general, the dominant factor menacing the stability of the export-based capacity to import in the primary exporting countries of the region has been the instability of export prices—which, in turn, has been mainly caused by instability in the prices of the major primary exports.

The export-based capacity to import, measured in 1953 import prices, has been derived from total export earnings deflated by unit value indexes of imports (all in terms of United States dollars) and plotted in chart 16. Its average year-to-year fluctuations, as also shown in table 66, are all above 10 per cent. Indonesia, the Philippines and Thailand fall in the range of 10-15 per cent; Pakistan, Ceylon, Malaya, Burma and China (Taiwan) in the range of 15-20 per cent.

[1]See also "A Statistical Note on Changes in the Terms of Trade and their Effects on National Income and Trade Balance in ECAFE Countries", chart 2, *Economic Bulletin for Asia and the Far East*, Vol. VIII, No.1, May 1957. The only notable exception (apparently caused in part by statistical factors) is that of Thailand in 1952.

Chart 16. ECAFE Primary Exporting Countries: Export-based Capacity to Import as Compared with Real Imports, 1948-1956
(Million US dollars at 1953 prices)



Movements in the export-based capacity to import may be compared with movements in actual imports at constant prices (see chart 16). A typical case is Ceylon, whose export-based capacity to import fluctuated around a steadily rising trend for real imports. Balance of payments difficulties developed when the export-based capacity to import fell well below actual real imports after the Korean boom subsided in 1952-1953. The Federation of Malaya had a similar pattern of fluctuations but the export-based capacity to import was at all times in excess of real imports—a part of the foreign exchange earned being remitted abroad as payments for investment income. Similar relative fluctuations of the export-based capacity to import and real imports were also shown for China (Taiwan), but here the export-based capacity to import was at all times less than real imports and the deficit was financed by a continuous inflow of United States aid. In Thailand, although real imports fluctuated[1] more than in Ceylon, both the relative movements of the export-based capacity to import and real imports showed a rather similar pattern. This capacity to import was substantially in excess of real imports before 1953, when Thailand's rice trade was flourishing, but the trend was reversed after 1953 when the seller's market for rice disappeared.

In Burma, Indonesia, Pakistan and the Philippines, real imports fluctuated more widely than the export-based capacity to import. This, however, cannot be taken to indicate that in these countries real imports for independent reasons were inherently more unstable than exports and the terms of trade; rather, the fluctuations in real imports were to a large extent caused indirectly by export instability. For in these countries, either because exchange reserves had fallen to a low level or because the monetary authorities followed a prudent policy of foreign exchange budgeting, the strictness of import and exchange controls varied with the availability of foreign exchange. Thus, when exchange earnings improved substantially, import and foreign exchange controls were generally relaxed, and when there was a sizable fall in exchange earnings, these controls were subsequently tightened. Morever, export instability also induced fluctuations in imports through "the income effect". That is, an increase in export earnings tended to produce a multiplier effect in raising money income. If internal stabilization measures were not taken to siphon off a large part of the considerable increase in income, or if the measures taken proved ineffective, sooner or later the demand for imports would increase—especially because the average and marginal propensities to import in the primary exporting countries are as a rule comparatively large by reason of the specialized nature of local production. Even in Ceylon and Malaya, where (although import controls were not altered very frequently) fiscal measures were used to reduce the inflationary impact of suddenly increased export income, real imports still showed some response to export fluctuations.

The two factors, import control and income effect, when set in motion by export instability, have generally worked in the same direction. That is to say, when export earnings have increased, import demand has tended to increase and at the same time import control has tended to be relaxed, and *vice versa*. Thus, imports have usually moved with equal or even larger amplitude of fluctuations than export earnings, with, however, a time lag. This situation is shown in the lower part of chart 16, which compares movements of the export-based capacity to import with real imports for Indonesia, Pakistan, the Philippines and Burma, although practically no time-lag is shown in the case of Burma.

The fact that export instability necessitates frequent changes in the tightness of import controls in order to safeguard the balance of payments has been a common feature in many under-developed countries. Such changes have a significant impact on the internal economy. A tightening of import controls has invariably led to a higher cost of living (in terms of local currency), since the importation of consumer goods has been restricted. It also has frequently interrupted the flow of raw and semi-finished materials and machinery parts to domestic industries, giving rise to shortages and a consequent failure to operate industries at full capacity. Unless export earnings increased again or more foreign loans or grants were made available, the country in question would then very likely be confronted with domestic economic trouble. This story of the "foreign exchange crisis" is an old and familiar one for many primary exporting countries. A high premium is thus placed on the reduction of export instability through international schemes of commodity stabilization, or, failing that, by an effort to soften the impact on the internal economy through national counter-cyclical measures.

The lower part of chart 16 also brings out the position of the two curves of the export-based capacity to import and real imports. In Burma and Indonesia, the export-based capacity to import was for all years greater than real imports. However, as net outpayments on current invisibles in both countries have been substantial and steady, any dip in the export-based capacity to import, when it coincided with a rise in real imports, resulted in balance of payments difficulties. This happened to Indonesia in 1952 and again in 1956. In Burma, there was a balance of payments crisis in 1954-1955 when the country's capacity to import was reduced at a time when heavy

[1] To some extent, as noted above, this is exaggerated by statistical factors.

debt payments had to be made in addition to the usually large net current invisible payments. Pakistan, on account chiefly of sudden rises in imports above the capacity to import, also experienced balance of payments diifficulties in 1952/53 and 1955/56, when large net invisible payments were being maintained. The sudden increases in imports resulted from increased requirements for food arising from domestic crop failures.

The Philippines appears to differ somewhat from other primary exporting countries of the region in that its balance of payments difficulty is secular rather than cyclical. While the export-based capacity to import fluctuated less widely than in most other countries, it was consistently below the level of real imports. The gap has been financed chiefly by invisible earnings from United States government disbursements in the Philippines.

Capital movements and international reserves

The repercussions of export instability on the balance of payments are, of course, reduced when capital moves in the opposite direction from export proceeds. Moreover, their effects are less serious when the level of foreign exchange reservs is high enough to cushion the shocks. In neither respect, however, were conditions satisfactory for many of the primary exporting countries of the region in the period under review.

Data on long-term capital movements are summarized in table 67. The figures can be regarded only as approximations. For statistical convenience, long-term capital here includes official and bank long-term capital, private capital and official donations. While data on official and bank long-term capital and official donations are quite complete in the balance of payments statements, those on private capital are in most cases far from complete, especially with regard to reinvestments of business profits. A second limitation of table 67 is the shortness of the period covered. Owing to these two limitations, no elaborate statistical analysis has been attempted. So far as the direction of change is concerned, only year-to-year changes are summarized, in simplified form.

The magnitude of net long-term capital movements was extremely large in relation to export proceeds for China (Taiwan) because of United States aid, and, in the early postwar years, for the Philippines, chiefly on account of the large amount of United States war damage and veterans' compensation. The Philippines subsequently joined the intermediate group, along with Pakistan and Thailand, with percentages of net inflow or outflow of long-term capital to export proceeds estimated at 12-16 per cent. For other countries — Indonesia, Malaya, Burma and Ceylon — the corresponding percentages were at or below 6 per cent. The magnitude of official donations was of course smaller, although there were inflows in almost all years covered.

It will be noted that, with the exception of China (Taiwan) and the Philippines during 1948-1950, official donations as a percentage of export proceeds were in all cases below 7 per cent. In absolute terms, the aggregate net inflow of long-term capital of this group of countries during the whole period under discussion (generally speaking, 1948-1956, although the time-coverage is incomplete for some countries: see table 67) is estimated at $2,396 million, and the aggregate net inflow of official donations at $1,943 million, or about 9 and 7 per cent respectively of the aggregate value of exports during the same period. Excluding China (Taiwan) and the Philippines (1948-50), the corresponding percentages were 5 and 4 per cent. Since the average year-to-year fluctuation of export earnings and the export-based capacity to import of these countries during 1948-1956 were all at or above 10 per cent, a typical export decline would in most cases more than offset the favourable effect on the balance of payments of foreign aid.

Long-term capital and official donations did not by any means always tend to compensate by moving in the direction opposite to export proceeds. As indicated by table 67, except in Ceylon and the Philippines, and to some extent also Pakistan, export proceeds and net long-term capital moved in the same and in opposite directions for almost an equal number of the years. This was even more true in the case of export proceeds and capital in the form of foreign aid. It is quite possible that a boom in the exports of a primary producer will induce more foreign capital to flow into that country, or more earned profits to be reinvested there, and a decline in exports may reverse these trends. Or again, the capital movements may follow the export changes with a time-lag, so that opposite movements result in some particular years. In any case, in the countries and period under consideration, while long-term capital and, more particularly, foreign aid have in many instances served to bridge gaps in the balance of payments for countries not yet capable of adequate rates of development, and sometimes not viable, without it, they could not be regarded as a stabilizer in the balance of payments, in the sense of counteracting export fluctuations.

This is not meant to imply that capital and aid should be expected to serve the latter purpose. First of all, if compensatory action were in question, it would logically be in relation to the movements of the entire current account—including not merely exports, but also imports and current invisible items.

Table 67. ECAFE Primary Exporting Countries: Magnitude and Direction of Changes in Export Proceeds and Net Long-term Capital Movements including Official Donations, 1948-1956

Country and period	*Magnitude*				*Direction*[c]			
	Millions of dollars[a]		*As percentage of export proceeds*[b]		*Changes in export proceeds and net long-term capital*		*Changes in export proceeds and official donations*	
	Net long-term capital	*Net official donations*	*Net long-term capital*	*Net official donations*	*Same direction*	*Opposite direction*	*Same direction*	*Opposite direction*
China (Taiwan)					(In number of years)			
1950-1956	561.5	515.6	73.4	67.5	2	2	3	1
Philippines:								
1948-1950	575.5	487.5	64.0	54.2	2	6	3	5
1951-1956	401.5	140.5	16.4	5.7				
Pakistan	253.3	280.4	15.2	6.6	2	5	2	3
Thailand	67.8	73.9	9.3	2.4	4	3	3	4
Indonesia	408	407	6.3	5.4	5	3	2	4
Malaya, 1949-1953	122	...	5.0	...	2	2	...	...
Burma, 1950-1956	−38.5	24.9	4.0	1.6	3	3	5	1
Ceylon	44.8	13.2	3.7	0.4	1	7	3	2
Total, magnitude	2,395.9	1,943.0						

Note: (1) Long-term capital includes official and bank long-term capital, private long-term capital and official donations.

(2) Data on private capital movements, especially as to reinvestment of profits, are incomplete.

Source: Basic data on export proceeds are trade return figures; those on long-term capital movements and official donations are balance of payments figures given in International Monetary Fund, *Balance of Payments Yearbook*, various issues. For Malaya (Federation and Singapore), basic data are from International Bank for Reconstruction and Development, *The Economic Development of Malaya.*

[a] In adding up net long-term capital movements and/or official donations for a series of years, plus and minus amounts are netted out.

[b] In adding net long-term capital movements and/or official donations for a series of years, plus and minus signs are ignored. So far as official donations are concerned, only Thailand, and also Pakistan for a very small amount in one year, had outward donations.

[c] Changes from the figure for one year to that for the subsequent year, a change from a larger to a smaller negative figure being regarded as an increase. Data not available for some countries for some years, or showed no change.

More fundamentally, even from the point of view of the capital receiving countries alone, economic reconstruction and economic development weigh more heavily than considerations of year-by-year stability in the balance of payments. In short, as far as long-term capital and foreign aid are concerned, a continuous smooth inflow of adequate size may be much more important than compensatory action—especially if export stability, or at any rate reasonable stability of world markets for primary products, can be achieved by other, more direct and efficient means.

The implication of this reasoning is perhaps that the countries from which foreign aid is so largely obtained could themselves do much to make that aid even more useful and more appreciated by taking all feasible steps to contribute as consumers to the stabilization of primary export markets. The experience of the past decade has shown that, while a high and stable level of employment and income is a necessary condition for maintaining a high and stable level of demand for primary exports from this region, it is not by itself a sufficient condition, since the demand and supply of each particular primary commodity also have their own particular causes of change. In this regard, although the difficulties are far from negligible, international commodity agreements among producing and consuming countries for the purpose of regulating prices and exports appear to deserve the fullest consideration.

The significance of export instability in the balance of payments can, finally, also be indicated by a comparison of the year-to-year changes in export proceeds with the foreign exchange reserves at the end of each first year of the series (see table 68). After the Korean boom subsided, the declines in export proceeds, relative to the levels of foreign exchange reserves, were very serious for most countries of the group. The percentages were about 10 for Thailand, 20 for the Philippines, 33 for Ceylon, 45 for Pakistan and 53 for Indonesia (where previously there had been a rise in export proceeds of over one hundred per cent in each of two successive years). What was more serious was that the substantial fall of export proceeds sometimes lasted more than one year, e.g. in Indonesia and Malaya (two consecutive years) and in Pakistan (three consecutive years).

Table 68. ECAFE Primary Exporting Countries: Changes in Export Proceeds as Percentages of Gold and Foreign Exchange Reserves,[a] 1948-1949 to 1955-1956

Country	*1948-1949*	*1949-1950*	*1950-1951*	*1951-1952*	*1952-1953*	*1953-1954*	*1954-1955*	*1955-1956*
Burma	— 5.4	— 69.6	+ 52.6	+ 34.9	— 12.4	+ 5.8	— 16.9	+ 12.7
Ceylon	— 4.2	+ 17.2	+ 30.3	— 33.3	+ 7.7	+ 38.8	+ 13.2	— 17.1
China (Taiwan)					+ 27.3	— 64.8	+ 88.2	— 8.2
Indonesia	+ 44.8	+130.6	+124.6	— 53.2	— 54.8	+ 15.0	+ 43.5	— 20.3
Malaya, Federation of[b] ..	...	...	...	—155.0	— 64.1	+ 3.3	+ 83.5	— 11.1
Pakistan	— 9.4	+ 11.4	+ 73.4	— 45.5	— 31.8	— 27.0	+ 12.8	— 16.4
Philippines	— 14.7	+ 25.3	+ 23.6	— 20.3	+ 16.3	+ 4.7	+ 0.4	+ 25.4
Thailand	+ 23.6	+ 13.6	+ 22.0	— 10.5	— 1.9	— 13.0	+ 18.9	— 0.2

Source: Data on gold and foreign exchange reserves are from International Monetary Fund, *International Financial Statistics.*

[a] Foreign exchange reserves at the end of the first year as indicated in each column heading. Foreign exchange reserves for China (Taiwan), official only; for Malaya, Currency Board only; and for Thailand, Bank of Thailand only. For other countries, foreign exchange reserves of both central bank and commercial banks.

[b] Changse in export proceeds of the Federation of Malaya as compared with foreign exchange reserves for the Malayan dollar of the Board of Commissioners of Currency, Malaya and British Borneo. The Malayan dollar is the currency unit for Singapore, North Borneo, Sarawak, and Brunei, as well as for the Federation of Malaya.

Such alarming declines in export proceeds in relation to their international reserves naturally obliged the countries concerned to resort to import control in order to protect their balance of payments and prevent the rapid draining away of the reserves. Import restrictions, with the difficulties they in turn present, would undoubtedly still be needed for the purposes of long-run economic development, even if export markets were not unstable. However, the existing large fluctuations in export proceeds necessitate more import restrictions for any given level of foreign exchange reserves, and larger reserves in relation to any given degree of import restriction or control, than would be called for under conditions of stable export proceeds. Even if a country is in fact able to maintain a high level of reserves, fluctuations immobilize a part of its foreign resources which could —assuming greater export stability—be used for economic development. Thus, from both the short-run balance of payments point of view and the long-run economic development point of view, greater stability of export markets is highly desirable for the primary exporting countries.

INTERNATIONAL STABILIZATION MEASURES

There have been numerous proposals for international measures to stabilize prices of various primary exports. Several international commodity agreements have been put into effect. Either a complete account of these proposals and agreements or a systematic discussion of the various possible forms of such international measures[1] would be beyond the scope of this section, which merely gives a brief review of the international measures in which the primary exporting countries of the region have participated during the postwar period.

International measures of commodity stabilization fall into two broad categories: bilateral agreements and multilateral agreements. Many primary exporting countries of the region have used, or are still using, bilateral trade agreements to a considerable extent. Their stabilization effects are, however, limited. As to the other category, the food allocation scheme under the International Emergency Food Council, executed during the early postwar years, may be considered as one kind of multilateral agreement. The International Tea Agreement, which has now lapsed, was chiefly an export quota agreement among private producers. The most elaborate international commodity agreements are the following three rather different schemes now in effect: the International Wheat Agreement, a kind of multilateral contract; the International Sugar Agrement, a kind of international quota agreement; and the International Tin Agreement, a kind of international buffer stock scheme. As no country in the region is an important wheat producer or consumer, the wheat agreement is not dealt with here.

Bilateral agreements

Bilateral contracts or agreements, whether for bulk purchases in cash or for exchange of goods at balanced value, have been concluded by many primary exporting countries of the region.[2] The latter countries have entered into such agreements primarily for

[1] United Nations, *Commodity Trade and Economic Development,* (Sales No.: 1954. II.B.1).

[2] See the summaries of trade agreements of ECAFE countries published in various issues of United Nations, *Economic Survey of Asia and the Far East* (including the present issue) and *Economic Bulletin for Asia and the Far East.*

the purpose of gaining assured markets for their principal exports, although the rice importing countries among them have also frequently used this device to assure their sources of supply. A large number of bilateral trade agreements concluded by the primary exporting countries of the region have dealt with rice, sugar, cotton, tin and rubber.

During the earlier postwar years, when rice was in short supply, the major rice exporting countries, such as Burma and Thailand, concluded a number of bulk purchase contracts with the region's rice importing countries, such as Ceylon and India, as well as with Hong Kong, Malaya and British Borneo (represented in the negotiations by the United Kingdom). Such agreements were usually negotiated annually and specified the quantity and price of rice to be traded during the whole year. When the international rice market changed from a seller's to a buyer's market in 1953, Thailand gradually abandoned government-to-government contracts and state monopoly in rice trading, and turned over the rice trade to private enterprise with a view to prompter adjustment of sales to the world market. Burma, on the other hand, still uses bilateral agreements, and seeks longer-period arrangements which are subject to such revision of prices as appears warranted by changes in world demand and supply. The comparatively long-term rice trade agreements concluded by Burma, whether for cash purchase or for exchange against imports of manufactured goods (especially capital goods) and services, or against reduction of debts, include those with Ceylon (September 1953), Japan (December 1953), India (September 1956), and the Soviet Union and several east European countries (1956), all running for periods of from three of five years. All these agreements assure, on a yearly basis, the approximate quantities of rice and other items to be traded. The price of rice has, however, to be negotiated annually, except in the case of Ceylon agreement, which specifies a series of contractual prices declining by £2 every year, from around £50 per ton in 1954 to £44 in 1957.

Several raw material exporting countries of the region have similar bilateral agreements, usually renegotiated each year. For instance, Pakistan entered into trade agreements with France and Japan for the export of certain quantities of cotton and other primary goods in exchange for manufactured (especially capital) goods. In view of the instability which characterizes the jute market, Pakistan also signed a trade agreement with India in January 1957, under which India will give advance notice of import requirements.[1] Indonesia entered into bulk purchase (sale) contracts on rubber and tin, and Thailand on rubber, with the United States, immediately after the end of the Korean war boom. Under the 1952 and 1953 tin contracts, the United States bought Indonesian tin at a fixed price, and Indonesia on the whole suffered no ill effects from the world price decline in those two years. However, in the renewal of the agreement for 1954, the contractual price was changed to the price ruling on the world market.

A notable type of bilateral trade agreement is the rubber-rice exchange between Ceylon and mainland China (1953) concluded during the post-Korean recession. The amount of rubber blanketed under this agreement was significant for Ceylon, accounting for about 60 per cent of its total rubber exports in 1953.[2] The price of rubber was guaranteed at a higher level than the Singapore market price, and the price of rice was lower than on the world market. Later, the premium paid by mainland China on rubber was made to vary with certain ranges of prices prevailing in Singapore,[3] and in addition a floor price was guaranteed.[4] The agreement was renewed in late 1957 for another period of five years beginning 1958, but the guaranteed quantities of rubber and rice were reduced, and both the premium and the floor price on rubber were abolished. Prices to be used are those prevailing in international markets.[5]

The Philippine Trade Act of 1946, which provided mutually preferential and/or guaranteed markets between the Philippines and the United States, may also be considered as a kind of bilateral trade agreement. Under this Act, during an eight-year transitional period from 1946 to 1954, free trade continued between the Philippines and the United States, and so also the export quotas for several Philippine major commodities, of which sugar is the most important. The annual quota of sugar exports, 952,000 short tons, covered almost the entire Philippine sugar exports before 1953 and about 97 per cent of the total in 1956. As the price of sugar in the protected United States market is usually both steadier and higher than the world market price,[6] the Philippines has enjoyed both stability and prosperity in its

[1] A proposal for a government-sponsored Jute Marketing Corporation is under consideration in Pakistan.

[2] More than 95 per cent of total sheet rubber exports.

[3] The scale as agreed in October 1955 was as follows (in pence):

Premium payable	*Price at Singapore for corresponding grade of rubber sheet*
5	22 - 35
4	35 - 40
3	over 40

[4] In 1956, when the average Singapore price of rubber sheets fell below 22 pence per pound, mainland China paid at the floor price of 27 pence.

[5] In an accompanying agreement, on the other hand, mainland China has undertaken to grant to Ceylon economic aid of Rs. 15 million annually (in commodities) for a period of five years, for financing Ceylon's rubber replanting subsidy programme.

[6] Compare movements of sugar export price indexes of the Philippines and China (Taiwan) in chart 14.

sugar exports. Now that the 1946 agreement has been revised, the new agreement, effective from 1 January 1956, established new procedures for the gradual reduction of mutual preferences. The guarantee is provided that up to 1974 the sugar quota of the Philippines will be at least 952,000 short tons. Between 1956 and 1958, however, the Philippine quota sugar has to bear 5 per cent of the United States ordinary customs duty, and this percentage is to be increased gradually until 1974, when all Philippine sugar has to bear the duty in full. By the first half of 1974, the quota will be reduced to no more than one half.[1] By then, the Philippine sugar exports are likely to be in large measure subject to the fluctuations of the world market.

While bilateral trade agreements are welcomed by many primary exporting countries as assuring price and quantity for a part of their exports or imports, they can hardly accomplish long-term stabilization. First, the prices of the primary commodities have generally to be negotiated each year, so that, if world market prices change, the contracted prices can also be expected to change in the following year.[2] Secondly, as far as quantity is concerned, most bilateral agreements usually cover only a minor portion of the exports of a given commodity.[3] Thus, unless a country resorts to a number of bilateral agreements, it has to face the world free market for a large part of its exports in any case. Or if, in fact, it has an obligation under many bilateral agreements to supply a number of foreign countries with specified quantities of its export commodity, the government will most likely have to take over the trade, and many problems of state trading will then arise.

Bilateral agreements also tend to tie at least a portion of the country's exports of a certain commodity to one or several markets. When this tie is loosened or broken, the country may experience difficulty in re-entering the world market, especially if the previous contracted market was a protected and preferential one. For example, as the American preference diminishes, the production efficiency of Philippine sugar has to be improved in order to maintain a competitive position.[4] Also, from an international point of view, the bilateral preferential arrangement tends to cause disturbances in the world free market to be more severe, since the export surplus (above the contracted amount enjoying the preference) tends to vary considerably in quantity and can be thrown on the free market at a low price.

Finally, bilateral trade agreements also tend to tie a portion of the imports of the primary exporting country to certain limited sources of supply, because of the obligation to balance the trade. Such imports from the contracted markets, usually various kinds of manufactured (especially capital) goods, may not always be suitable to the importing country or may not be the cheapest available on the world market. But, if the importing country decides to select its imports critically, it may have to accumulate unused credit for "unrequited exports".

For all the above reasons, bilateral trade agreements cannot be expected to make a major contribution towards the long-term reduction of international market instability. To achieve that purpose, international commodity agreements appear more promising.

International Emergency Food Council

The earliest important postwar scheme for adjusting, on an international basis, the demand and supply of major export commodities of countries of the region, appears to have been the food allocation scheme under the International Emergency Food Council (IEFC). Based on the wartime experience of the Combined Food Board, the IEFC in the immediate postwar years dealt with the international allocation of foodstuffs in short supply. It started work in July 1946 with a series of Commodity Committees. Each committee recommended a division of the available export supply among the importers based on an appraisal of their needs, and these recommendations were passed on to governments through the Central Council for action. The accomplishments of the IEFC were considered excellent. Its recommendations were almost without exception carried out by the governments. The commodity which affected a large number of both exporting and importing countries of the region was, of course, rice. During the period of the existence of IEFC, rice exports from Burma, Thailand and other countries, and rice imports into Ceylon, Malaya, India and other countries were almost all handled under the IEFC allocation scheme. Later, as the distinction between emergency and long-term problems became more and more blurred, the IEFC was dissolved (on 1 January 1948), and the remaining functions were taken over by the Food and Agriculture Organization of the United Nations. The work of IEFC had enabled governments to gather a great deal of valuable information about current demand and supply situations, and to develop a pattern of co-operation in international action on primary commodities.[5]

[1] There are also quotas for Philippine coconut oil, cigars, pearl buttons, Manila rope and scrap tobacco, but these quotas are far above present Philippine exports of these products.

[2] Moreover, it is difficult to maintain an agreement specifying a contractual price for more than one year; whenever the world price is higher, the exporting country wants an upward revision, and, whenever the world price is lower, the importing country requests a downward adjustment.

[3] The notable exceptions are Philippine sugar and Ceylon rubber.

[4] There has already been evidence that the area planted under sugar in the Philippines is being reduced and the sub-marginal or marginal land shifted to other crops.

[5] FAO, *So Bold An Aim*, pp. 78-80, Rome 1955.

THE INTERNATIONAL TEA AGREEMENT

The postwar International Tea Agreement was a survival from prewar days. In 1933, at a time when the supply of tea was threatening to outrun the demand, British tea interests in India and Ceylon and Dutch tea interests in the Netherlands East Indies signed the International Tea Agreement, under which export quotas and planting area controls for black tea were established and administered by the International Tea Committee. It was a voluntary, non-governmental agreement, although supported by the various governments concerned. The agreement ran to 1938 in the first instance. It was considered one of the most successful among numerous international commodity control schemes during the interwar period,[1] and was renewed to 1943, then for the duration of the war, and for two years thereafter. From 1948 to 1950 transactions were subject to an Interim Producers' Agreement between producers of Ceylon, India, Indonesia and Pakistan.

In 1950, in anticipation of the reappearance of a world surplus in tea after the wartime and postwar shortages, an agreement was entered into by the International Tea Committee and associations of producers in these four countries, and this agreement was ratified by the respective governments. Like the prewar agreement, it endeavoured to stabilize the price of tea through export quotas and by control over planting. Each participating country was given a maximum permissible export quota determined in advance for each control year (April-March). Exports of tea from producing countries were permitted only under licence. The agreement also laid down "permissible acreages" for tea planting in each participating country and regulated the extent to which "replantings" and "extensions" might be carried out.[2] Exports of seed or planting material to non-participating countries were prohibited.

The agreement was effective only up to March 1955, after which it was allowed to lapse. It might, in fact, be said that it was never really in force, since export control was not tight. For one thing, there were no excess plantings; at least in Ceylon, the new plantings were only a fraction of the permissible acreages. The expected postwar glut did not materialize. Tea production in Indonesia has recovered to only about one-half of its prewar level. The competition of green tea from China (Taiwan) and Japan has not been severe. It appears that, for the time being, suppliers are not under any strong pressure to conclude a new agreement. For the future, the recent basic changes in the tea trade are bound to have an important bearing on developments. British control over the producing estates in Ceylon, India and Pakistan and Dutch control over those in Indonesia have been reduced by sales of estates and repatriation of capital. Previously, all parties concerned recognized common needs and so tended to act in harmony. Such community of interest as formerly existed between the British and Dutch producers, on the one hand, and the British and Dutch buyers, on the other, has now been lost.

THE INTERNATIONAL SUGAR AGREEMENT

The present International Sugar Agreement is the fourth major agreement of its kind.[3] It affects only the "free market" for sugar through an international scheme of export quotas. The "free market" now accounts for about one-third of the international trade in sugar, the other two-thirds being traded in protected areas where preferential treatment prevails.[4] After the end of the War, as already noted, world free market prices of sugar were very unstable, and the need for an international stabilization scheme was widely felt. Under the United Nations' auspices, a meeting was held in London in July 1953 to discuss an International Sugar Agreement and the Agreement became effective on 1 January 1954.[5]

An International Sugar Council administers the agreement. Every participating country is a member of the Council and is classed either as an exporting country or an importing country, being allotted a number of votes roughly reflecting its importance as

[1] V.D. Wickizer, *Coffee, Tea and Cocoa,* (Stanford University Press, Stanford, California), p.11.

[2] It was, however, more liberal than the prewar and the interim ones in respect of increases in planted area.

[3] The first sugar agreement, signed in Brussels as long ago as 1902, undertook to eliminate the prevailing practice of granting bounties on production or exports. The International Agreement of 1931 (also known as the Chadbourne Plan), proposed, unlike its predecessor, to restore the equilibrium between demand and supply by restriction of output and by export quotas. The International Sugar Agreement of 1937, based on very much the same principle as the Chadbourne plan, operated until the Second World War. The current agreement, the International Sugar Agreement of 1953 as amended in 1956, provides for periodic adjustment of the basic quotas, thus giving it more flexibility than the prewar arrangements.

[4] "The trade of the British Commonwealth, which has its own agreement, is excluded, but maximum limits to exports are agreed to, which 'have the effect of leaving available to the free market a share in the sugar markets of Commonwealth countries;' all exports to the United States for consumption therein are excluded; movements of sugar between the Belgo-Luxembourg Economic Union (including the Beglian Congo), France and the countries which France represents internationally, the Federal Republic of Germany, and the Netherlands (including Surinam) are excluded, but these countries undertake to restrict such movements to 175,000 tons a year, exports from Czechoslovakia and Poland to the USSR are excluded. However, all the above countries participate in the agreement". FAO, *The Stabilization of the International Trade in Rice,* Commodity Policy Studies No. 7, August 1955 (Rome), p.20.

[5] The agreement runs for five years. Amendments were adopted in 1956 changing the basic export tonnages assigned to exporting countries.

a producer-trader or consumer-trader.[1] Sugar exports from participating countries—the latter including, in this region, China (Taiwan), India, Indonesia and the Philippines on the export side, and Ceylon and Japan on the import side—accounted in 1952 for 85 per cent of the entire world free market.

The objectives are "to assure supplies of sugar to importing countries and markets for sugar to exporting countries at equitable and stable prices; to increase the consumption of sugar throughout the world; and to maintain the purchasing power in world markets of countries or areas whose economies are largely dependent upon the production or export of sugar by providing adequate returns to producers and making it possible to maintain fair standards of labour conditions and wages".[2]

In pursuit of these objectives, the free market sugar price is to be stabilized within a specified range —3.25 to 4.35 United States cents a pound from the beginning of the agreement, altered to 3.25 to 3.45 cents on 1 December 1956.[3] The new, narrower price range is evidently intended to discourage high-cost or highly subsidized production and keep it from entering the free market.

The major tool for stabilizing the sugar price is a restriction on exports to the free market by means of a quota system designed to meet the estimated demand. The basis for the allocation of annual quotas among the exporting countries is the "basic export tonnages" fixed in the agreement for each individual exporting country. Each year the Council, after estimating the net import requirements of the free market, assigns initial quotas ("export quotas in effect") for the coming year in terms of a uniform percentage applied to each country's basic export tonnage.[4] Actual export quotas[5] are to be adjusted according to ranges of the average price of sugar in the free market.[6]

When the maximum price of 4.00 cents is exceeded, all quotas and limitations are temporarily lifted. Reliance is placed on rapid increase in supply in response to favourable prices to check the price rise. On the other hand, when the price breaks through the floor limit of 3.15 cents, the Council can reduce the export quotas, but not below 80 per cent of the basic export tonnages.[7] This absolute limit to quota cuts, it was agreed, is necessary to prevent outsiders from taking advantage of the situation by increasing their production while participating members are reducing theirs. When the price is between the maximum and the minimum level, the Council has discretion to adjust quotas, subject to certain limitations.[8]

When the agreement began to operate in 1954, the maximum permissible reduction (to 80 per cent) in export quotas was applied. The price decline was halted. In early 1956, the free market price rose and the effective export quotas were raised to 90 per cent of the basic export tonnages. As the price advanced further, the effective export quotas were raised to the full amount of the basic export tonnages in July, and 105 per cent in December. Finally, when the price exceeded the maximum limit, quotas were entirely lifted by the end of January 1957. In late 1957, the price fell back below the maximum limit.

The International Sugar Agreement has had a special impact on the economy of China (Taiwan). While the export price has become much more stable than before, Taiwan's export quantity and export proceeds have, as already noted, been substantially reduced below the levels of 1953 by the international quota restrictions. Thus, Taiwan's balance of payments has been adversely affected, but the income of the population engaged in sugar production has become more stable and a floor price is guaranteed for their sugarcane. Moreover, the agreed price range and export quota have made it necessary to improve the efficiency of sugar production and, more broadly, of resources allocation—the planting of sugarcane in relation to other crops. Thus, the Taiwan Sugar Corporation has closed down several high-cost sugar

[1] The aggregate votes of exporting and of importing countries are equal. Most decisions are taken by a majority of the votes cast by the exporting countries and a majority of votes cast by the importing countries, but some decisions require a Special Vote, under which there must also be a two-thirds majority of all votes. The membership consists of 14 importing countries and 23 exporting countries.

[2] Article 1 of the agreement.

[3] Amended by a protocol adopted at the United Nations Sugar Conference in November 1956.

[4] A special quota is set up as a reserve from which the Sugar Council can allocate either additional export quotas to participating countries, or special quotas to new producers.

[5] Each exporting country also undertakes to hold stocks of not less than 10 per cent of its basic export tonnage. Such stocks shall be immediately available for export to the world free market when called for by the Council.

[6] The prevailing average price referred to in the agreement generally means the average price over a period of 17 consecutive market days.

[7] In such circumstances, the exporting country has to adjust the production of sugar by regulation of the manufacture of sugar or by regulation of acreage or plantings, so that the output does not exceed such amount of sugar as may be needed to provide for domestic consumption, plus its export quota, plus maximum stocks (20 per cent of its output, calculated at the start of the crop year).

[8] When the price rises above 3.45 cents but is still below 3.90 cents, quotas should be no less than the initial export quotas or basic export tonnages, whichever are greater. When the price falls below 3.25 cents but is still above 3.15 cents, "the export quota in effect shall at once be reduced by 2½ per cent and the Council shall meet within 90 days to decide whether any further reduction shall be made; and, if no agreement is reached at such meeting, the percentage of the reduction shall be raised to 5 per cent."

refineries and modernized existing ones, and a part of the land formerly under sugarcane has been shifted to the cultivation of rice and other crops.

The International Tin Agreement

The 1953 International Tin Agreement, which finally came into force on 1 July 1956 for a period of five years, is the fifth major agreement of its kind, the last one having been terminated in 1946. After the war, the idea of re-establishing a regulation scheme for tin soon found support, and, from its inception in 1947, the International Tin Study Group was engaged in framing an inter-governmental agreement for this commodity. However, it was only in December 1953 that the International Tin Agreement was signed under the auspices of the United Nations, and not until two and a half years later that it received the requisite number of ratifications.

The agreement aims at preventing excessive price fluctuations and maintaining reasonable price stability of tin with a view to securing the long-term equilibrium between supply and demand. The basic purposes are to ensure adequate supplies of tin at reasonable prices at all times to consumer countries, and to prevent or alleviate in producer countries the widespread unemployment or under-employment and other difficulties which may result from an excessively low price.[1]

By July 1957, the agreement had been ratified by six producing countries, which in 1956 together produced a little under 90 per cent of the total world tin output, and fourteen consuming countries which together consumed in that year a little more than 40 per cent of the total world tin consumption. Participating countries of the region are Indonesia, the Federation of Malaya and Thailand as producer-members and India as consumer-member. The governing body is the International Tin Council, on which each member government is represented.[2]

The agreement endeavours to obviate the emergence of wide price fluctuations and of either shortages or burdensome surplus, through the establishment of a buffer stock, operated by purchases or sales of tin at certain established floor and ceiling prices, and through export control. The size of the buffer stock is the equivalent of 25,000 long tons of tin metal, of which no more than 75 per cent are to be in tin metal, the remainder in cash. Contributions are compulsory in the case of producing countries, called on to make initial contributions equivalent in the aggregate to 15,000 long tons of tin metal. Up to July 1957 all contributions made were in cash.

The buffer stock is operated by the Manager and depends primarily on the relation of the cash price of tin on the London Metal Exchange to the floor price—originally established at £640 per long ton, but raised to £730 in March 1957[3]—and the ceiling price, unchanged at £880 since the beginning of the agreement. When the price of tin is at or above the ceiling, the Manager must offer tin for sale, if he has any. When the price is at or below the floor, he must buy tin, if he has money. The range between the floor and the ceiling prices is divided into three sections. In the low third (£730—£780), the Manager may buy tin; in the middle third (£780—£830), he neither buys nor sells, unless the Council decides otherwise; in the top third (£830—£880), he may sell.

The Council periodically considers the probable demand for tin, the probable movements of commercial stocks, the quantity of metal held in the buffer stock, the current price of tin and so on. It may establish control over exports, provided the amount held in buffer stock is at least 10,000 long tons. Provision is further made for the eventuality of a tin shortage. If a shortage is expected, the Council may request all interested countries to provide estimates of their supply and demand for tin. The Council may recommend the maximum development of production and may make recommendations to ensure the equitable distribution of available tin to consuming countries.

Though the main support to the market has come from continuance of buying for strategic stockpiling by the United States, the agreement has helped to bring about a recovery in tin prices which had moved downwards after the Korean truce. From the spring of 1954 to the summer of 1957, the price movement has substantially narrowed around a level which fell almost entirely within the lower and middle belts between the floor and ceiling prices when established. The buffer pool started operating in May 1957 when it bought tin at £770 per long ton, and it continued to do so up to the end of June in order to absorb all surpluses exerting pressure on the market.

Whether the International Tin Agreement is to succeed in the future depends primarily on the uses of tin and not only on its own resources—a stock of tin or an equivalent amount of cash large enough to influence the market. Partly owing to the progressive

[1] It also seeks to promote by stages the most economic production of tin, while protecting tin deposits from unnecessary waste or premature abandonment.

[2] The aggregate votes of the producing countries and consuming countries are equal—1,000 in each case. Each producing country receives five initial votes and an additional number proportional to its output, and each consuming country receives five initial votes and an additional number proportional to certain fixed tonnages, based presumably on net imports and consumption.

[3] This change was apparently made to meet the needs of Bolivia, whose tin industry has been very much affected by a continuous rise in cost of production.

replacement of the old "hot dip" method of tin plate production by the new electrolytic tinning method (which requires, on an average, only about half the amount of tin per unit of tin plates) and partly owing to the definitive loss of outlets as a result of cheaper competitors, tin is today the only major industrial raw material which is used in smaller quantities than in the period of 1935-1941.[1] It is in need of new outlets because its disequilibrium has always been due to lack of demand and not insufficiency of supply.

This being the future outlook, the buffer stock, which accounts for about 20 per cent (or two and a half months' supply) of the total world export of tin metal in 1956, appears quite small. In fact, the surplus stock on the world market had accumulated to such an extent that the Council had to impose export quotas on its member-producing countries in order to strengthen the price for the three months beginning 15 December 1957.[2]

Aside from the major problems inherent in the operation of the buffer stock, it is important to note that, while about 90 per cent of world output is now represented in the agreement, consuming interests are represented by countries accounting for only about 40 per cent of world consumption, since major consumers—the United States and also western Germany and Japan—have remained outside the agreement. An immediate threat to price stabilization might also appear if tin offerings were made from non-commercial stocks. To this end, Canada gave the International Tin Council at its third meeting in December 1956 six months' notice that it (Canada) might dispose of about 3,000 long tons of non-commercial stocks of tin, while, at the Council's sixth meeting in July 1957, the United Kingdom stated that sales of 2,500 long tons out of its stock would be made over a period at prices which would not depress the market. It is believed that the United States, which accounts for more than one-third of world consumption, proposes to adopt an attitude of "benevolent neutrality".

[1] This fact should not, however, be allowed to overshadow the important uses of tin in the field of tin-zinc and tin-nicked plating, in organic compounds, in improved solders, and so on, and the increase in the total use of tin in the production of tin plates in recent years.

[2] The total permissible metal exports for that period for the participating producing countries are set at 27,000 long tons, which represents a reduction of 28.5 per cent in the rate at which the six, taken together, had been producing in the twelve months ended 30 September 1957. The percentage reductions for the individual countries vary. Meanwhile, in order to ensure that there will not be an undue rise in the price of tin during the export control period and to enable the buffer stock Manager to achieve and maintain a proper balance between metal and cash in the buffer stock, the Council has authorized the Manager to operate on the market during the said period should the price of tin metal reach the middle range.

General remarks

Stabilization designed to prevent wide fluctuations in the international trade in primary products does not imply freezing either prices or quantities at certain levels. It means recognizing the long-term trends warranted by basic changes in demand and supply conditions but smoothing out temporary large fluctuations around those trends. Thus, any international commodity scheme is faced by problems of how to forecast long-term trends of prices and quantities in international trade of the primary product concerned, what levels to select in fixing floor and ceiling prices, what price ranges to establish for the exercise of controls on export quantities and/or buffer stock operations. A floor price which is too low will, of course, be useless, but a floor price or actual price which is too high will encourage consuming countries to use and develop substitutes more extensively. Finally, a ceiling price which is too high may well be considered by consuming countries as unfair. It may be assumed, however, that the consuming countries will accept a reasonable floor price if the producing countries will accept a reasonable ceiling price.

If in principle international commodity agreements are feasible devices for stabilizing prices and trade of primary exports, why are there at present only three—for wheat, tin and sugar? The obstacles are practical. The two major ones may be mentioned. First, unlike sugar and tin, most primary products are far from homogeneous. Price differentials exist over a wide range of varieties and qualities, and these differentials are by no means fixed and stable. It would thus be difficult, under a buffer stock scheme or a multilateral contract, to decide which varieties are to be sold or purchased and at what price levels. An international export quota scheme may, however, avoid this difficulty by fixing tonnages, as was done, for example, in the case of tea.

Second, it is difficult to induce enough countries to join an international agreement, and, if the number of countries willing to participate is insufficient, it will be difficult for the agreement to achieve its objectives. An importing country may not be willing to make definite commitments, and its unregulated and somewhat unpredictable purchases may upset the operation of an international scheme, especially when it is a large consumer of the commodity concerned. An exporting country staying out of an international agreement may expand its exports at the expense of the exporting countries bound by the agreement, at times when their export prices are being maintained by means of export restrictions. This problem is a crucial one in international export quota agreements.

It should be observed that, even in the absence of commodity agreements, certain other co-operative action can still be taken in the international field. International consultations at regular intervals between major producing and consuming countries of a particular commodity provide opportunities for exchange of information on demand and supply prospects and thus help smooth out adjustments.[1] When they know the import requirements and each other's plans of expansion or contraction, the producing countries may wish to adjust their own original plans. Permanent international research bodies, also, can be useful in providing information for purposes of consultation or otherwise to the government and private producers' associations concerned. Even for commodities in the case of which there may be no pressing need to have an international agreement, for example, tea, such international consultations and research are still likely to prove useful.

A RÉSUMÉ

Many countries in the ECAFE region derive a considerable share of their national income from exports of a limited range of primary commodities. The export prices, volumes and proceeds of these commodities have continued to be subject to large fluctuations during the postwar period. A rise or fall of 20 per cent in export proceeds for a given commodity in a given year is not unusual. These fluctuations in export proceeds have in general been due more to price variations than to volume changes. In many cases, changes in volume have accentuated the effect of price instability—which indicates that the demand factor was more important than the supply factor. The demand for several major export commodities of which the region is the world's major producer and exporter, including rubber, tea, tin, jute manufactures and abaca, comes largely from countries outside the region.

There were violent fluctuations in export prices and proceeds of a number of primary commodities during and immediately after the Korean conflict. In more recent years, the fluctuations have generally been smaller. Fluctuations in prices of export commodities have often, in the case of agricultural produce, led to substitution in crop planting in producing countries, and have induced the expansion of production and the use of synthetic substitutes in consuming countries. Such substitution, once set in motion, is difficult to reverse, even if the prices of the natural primary commodities subsequently fall. Reasonable price stability of primary export commodities is therefore desirable not only on the short-run balance of payments grounds but also in order to ensure long-run growth, since a fairly stable price is an essential element if markets are to be steadily built up.

The fluctuations in exports of primary commodities have caused the total export earnings and the terms of trade of the countries under review to fluctuate too. It has not been uncommon during the postwar period for a country's total export proceeds to rise or fall by 15 per cent from one year to another. Extreme cases ran as high as about 30 to 45 per cent. Since prices of raw materials have fluctuated more than those of rice, tea and sugar, the raw material-exporting countries have suffered from greater fluctuations in their total export earnings than the food-exporting countries. This was all the more so because, in the raw material-exporting countries, export quantities have usually moved in the same direction as export prices, while, at least in the rice and sugar-exporting countries, the opposite relationship has been more common.

Since import prices have in general varied less than export prices, the terms of trade of the primary exporting countries of the region have as a rule fluctuated more or less in line with the unit values of exports. Thus, the export-based capacity to import has also fluctuated substantially. The average year-to-year fluctuations have been at 10-20 per cent during the postwar period for the countries in this group.

When export value and the export-based capacity to import have gone up, the balance of payments position has usually improved, although on the other hand a problem of induced inflation has sometimes arisen. When export earnings have fallen, balance of payments difficulties have emerged, especially if the level of international reserves was low. This was the case in several countries of the group. Moreover, imports have often increased (reflecting increased exports, but with a time-lag) just when exports were again on the way down. In such instances, the balance of payments has been subjected to a severe strain, and the countries concerned have had to turn to quick remedies. Thus, bilateral agreements have often had to be concluded in order to maintain sales abroad, and import controls have been tightened in order to reduce purchases from abroad. Unfortunately, bilateral agreements can hardly achieve long-term international price stability; import controls definitely restrict world trade; and both are a move away from a multilateral expansion of trade.

[1] Among international bodies holding such consultations may be mentioned the International Rubber Study Group and the International Cotton Advisory Council. There are also a number of commodity committees established under the auspices of the Food and Agriculture Organization of the United Nations, one dealing with the problems of agricultural surpluses in general, others dealing with rice, other grains, coconut and coconut products, and cocoa

However, primary exporting countries have little choice in the matter, when the world demand for, and prices of, their major export commodities fall off. Even while the industrially developed countries have extended substantial amounts of aid to the primary exporting countries among others, the amounts involved in the export fluctuations have tended to be more substantial. Whereas it has not been unusual in the postwar period for export proceeds to drop by 15 per cent in a year, external aid has accounted for less than 4 per cent of aggregate export proceeds of the majority of the primary exporting countries of the region.

Moreover, neither external aid nor foreign capital as a whole has, generally speaking, had the effect of counteracting export fluctuations during this period. Nor could they in any case be expected to have a compensatory effect of this kind, since their main role (apart from rendering assistance of an emergency kind, commonly connected with reconstruction or crop failures) is presumably to help long-run economic development. Rather, the means for reducing export instability need to be sought in other directions—in particular, through the maintenance of high and stable levels of employment, income and demand in the industrially developed countries, and through full examination of the possibilities of utilizing some form of international commodity agreement, whether for tin and sugar or for other commodities now now under such international agreements.

Chapter 6

EXPORT INSTABILITY IN THE PRIMARY EXPORTING COUNTRIES:
(II) The Internal Economy

INTRODUCTION

In a primary exporting country, the effects of export instability begin but do not end with the balance of payments. Some of the most serious effects are on its internal economy. In addition, effects of both types interact in a fairly complex way. For example, increased foreign demand for a particular export commodity tends to raise the price, especially in the short run, when output expansion cannot easily catch up with the increase in demand. This not only changes its price relation with other commodities but also expands money incomes and expenditures. If the new situation continues for some time, the allocation of resources will be affected. The increases in money incomes and expenditures—appearing first in the export sector but extending after a while throughout the economy—will also raise import demand and react adversely on the balance of payments.

There are several ways of moderating these consequential changes. The government may, for instance, take over the export trade in an important commodity and fix prices at levels different from those that would result under private trade. It may tax away the high profits of the export trade, either by conventional taxes or by penalty exchange rates. It may budget its own expenditures in such a way as to counteract the induced changes in money incomes and expenditures in the private sector. It may allow the exchange rate to fluctuate, or may vary it at intervals. Monetary and credit policy may also be used for the purpose of checking any secondary expansion of incomes and expenditures. All these measures will at the same time also tend to react on the balance of payments, especially by counteracting the pressure for the expansion of imports.

The export-induced changes in the internal economy and the use of compensatory domestic stabilization measures will affect not only the immediate situation but also longer-term development. Changes in relative prices, if they last for a sufficiently long time, tend to influence the direction of private investment. Fluctuations of government revenue from customs duties and so on, which can be very considerable, and also the effects on revenue of fiscal measures introduced to counteract the export instability, will expand or contract the financial resources available to the government for economic development. A government may also pursue a long-term policy of reducing export instability by promoting diversification of production.

This chapter reviews the impact, to the extent that it can be isolated, of export fluctuations in the postwar period on the internal economies of the primary exporting countries of the region. The interaction of numerous forces makes analysis difficult. The stabilization measures prevented the disturbing forces from working themselves out fully. Other factors, independent of export changes, were operating at the same time, notably large expenditures for economic and social development or for defence which tended to make for inflation. The rest of the chapter will examine the main domestic stabilization measures undertaken by the region's primary exporting countries in this period.

THE IMPACT OF EXPORT FLUCTUATIONS ON THE INTERNAL ECONOMY

Profits, wages and taxes

A large increase in foreign demand for domestic products tends—unless met by compensatory government action—to set off an expansion in the income-expenditure circular flow in the exporting country. The expansion naturally is especially pronounced in cases where export value bears a large proportion to gross domestic product and the prices of major export commodities rise substantially.

Many primary exporting countries of the region have had this experience during commodity booms. The increased expenditures by foreign buyers on domestic products first of all raise incomes in the export industries. Since the cost of production usually moves less and later than commodity prices, profits in the export industries rise and become the primary force for subsequent, more generalized economic expansion—situation which may be described as "export inflation" or "export profit inflation".

The extent to which profits will capture such gains depends, in any given case, chiefly on the relative movements of prices (as well as volume), wages and taxes of various kinds in the export industries. In the Federation of Malaya, both money wages in major export industries and rates of export duty have been

put on a flexible basis, to vary in accordance with export price movements, although to a lesser extent. The sharp rise in rubber prices set in motion by the Korean hostilities in 1950 caused the rubber workers' union in Malaya to demand frequent wage increases. To meet the situation, a sliding-scale wage was instituted at the suggestion of the Board of Arbitration in 1951, and made retroactive to 1 January 1950. The basic wage of the daily-rated worker remained unchanged, but was supplemented by an extra payment which varied quarterly with the price zone in which rubber had moved in the previous quarter. In Malayan dollars, the extra per diem wage amounted to 0.45, 0.75 or 1.05 depending on whether the price was 1.00-1.50, 1.50-2.00, or 2.00 and above.[1] In the tin mining industry in the Federation of Malaya, the workers benefited in 1950 from the introduction of a tin price bonus. This bonus remained unaltered until September 1951, but after that it was paid against a theoretical tin price of M$550 per picul, to be increased if the price of tin rose above that level.[2] These flexible arrangements made it possible for the workers in the exporting industries to share in the export prosperity without the necessity for frequent revisions in actual wage rates. Both the rubber prices and the pay of daily-rated field workers on the estates jumped by about 60 per cent from 1950 to 1951—in contrast to the previous year, when the rise in rubber prices was much steeper than the wage increase. After 1951, the wage moved generally in line with the price of rubber, except in 1956[3] (see chart 17)

In Ceylon, the index of wages of tea and rubber estate workers also moved generally with the unit value of export during the postwar period. This was especially the case during years of rising export prices. When export prices fell in 1952 and again in 1956, however, the wage index still rose, though at a slower rate, possibly because of the strength of the labour unions.

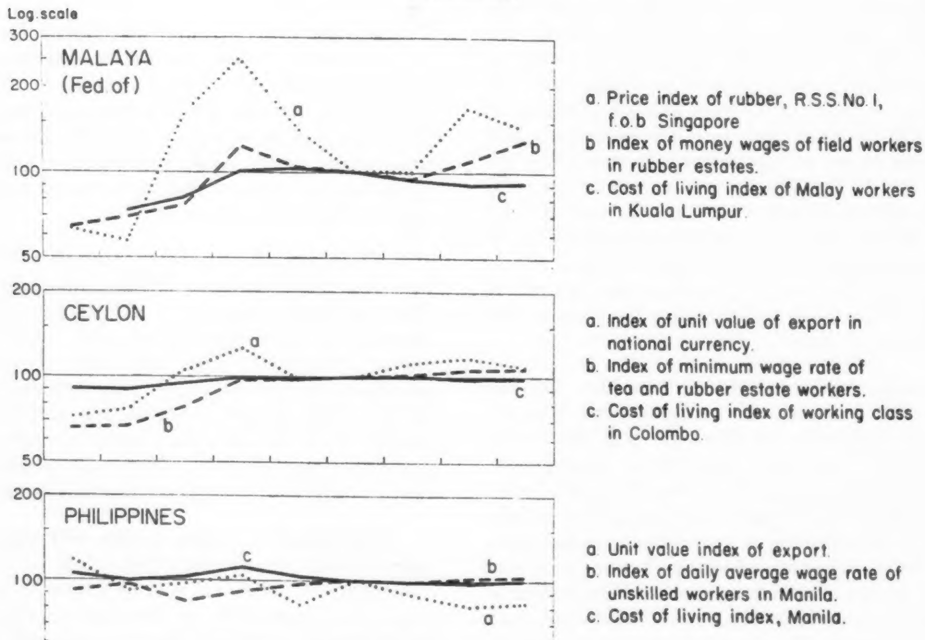
[1] The Federation of Malaya, *Annual Report*, 1951, pp.35-37.

[2] *Ibid.*

[3] "In June, 1956 a revised wage agreement providing for higher earnings and wage rates was negotiated between the Malayan Planting Industries Employers Association and National Union of Plantation Workers for the larger part of the rubber estate industry. This agreement continued the practice of tying earnings and wage rates to the average selling price of rubber". The Federation of Malaya, *Annual Report, 1956*, p.33.

Chart 17. Malaya, Ceylon and the Philippines: Indexes of Export Prices, Wages and Cost of Living, 1948-1956

(1953=100)



Data on agricultural wages are not available for the Philippines. In Manila, the index of wages of unskilled workers increased steadily after 1950 and did not fluctuate with the unit value of exports (see chart 17). A minimum wage law went into effect in the Philippines in August 1951.

For other primary exporting countries of the region, data on wages are either not available or are inadequate for a time series comparison. It would be safe to say, however, that, where flexible wage systems do not exist and labour unions are not strong, as in the case in most primary exporting countries of the region, the profits tend to grow pretty much in line with a rise in export prices, and wages tend to increase only moderately—at least up to the point where a labour shortage makes itself felt.

To what extent the government shares in the export prosperity depends chiefly on its ability to tax the export sector—either by means of export duties, or by penalty exchange rates applied to export commodities, or by a government mononoply over export marketing.[1] The composition of such "revenues"[2] for selected countries during 1948-1956 is shown in table 69. Since the incomes of almost all wage earners in the primary exporting countries of the region are below the exemption levels for income taxes, actual taxes, so called, on the export sector have fallen mostly on profits in estate production. In the case of smallholder production, however, no clear distinction can be made between profits and wages. Moreover, in countries where state marketing has been used and where the government's internal procurement prices have been kept low, as in the case of rice in Burma and Thailand, small farmers have in fact contributed substantially to the government revenue.

As a general indication of the government's shares in export income during the postwar years, comparison may be made of the proportions of the above-mentioned revenue in the total value of export for various countries. Striking an average of the years of prosperity and recession, Burma had the highest proportion, 29 per cent, followed by Thailand with about 20 per cent, Ceylon 16 per cent, Indonesia 12 per cent and the other listed countries all below 10 per cent. Generally, the percentages of government revenues from exports in all these countries showed a fairly high degree of response to changes in total export proceeds, especially after 1951 when all the governments concerned felt the need for fiscal measures to deal with export fluctuations. Thus, in the Federation of Malaya, the percentage increased from 11 in 1953 to 15 in 1955, another rubber boom year; and in Ceylon, it was raised from 13 in 1953 to about 20 in 1955, reflecting the tea boom (see table 70A).

The flexibility of government's revenue from export trade is particularly important, as its share in the total government revenue in the primary exporting countries of the region is generally large. During most of the postwar period, it constituted about 20 per cent of total government revenue for North Borneo, around 30 per cent for Thailand, Ceylon, Sarawak and the Federation of Malaya, and 40 per cent for Burma. In China (Taiwan), where no export duties have been imposed, exchange profits, derived chiefly from sugar export, accounted for about 7 per cent of the total government revenue during 1952-1956. The low percentage (7 per cent of total government revenue) shown for all kinds of revenues from export trade in Indonesia during 1948-1956 is partly attributable to a shift towards reliance on import taxes and surcharges for revenue in recent years (see table 70B).

Although the revenues deriving more or less directly from export trade are important in public finance, the revenues from many other taxes may also change with movements in the export trade. Besides the income tax, revenue from several indirect taxes—notably import duties and sales taxes—also tends to increase during an export boom. Import duty receipts usually increase at such times, because the expanded money income and the greater availability of foreign exchange lead to larger imports. This depends on the extent of import control, but such control usually tends to be relaxed during an export boom. Sales tax revenue also tends to increase with a larger volume of transactions, involving both imported goods and domestic goods whose output tends to rise in response to expanded demand.

A more complete picture, indicating the degree of flexibility of the whole revenue structure, is given by a comparison of total government revenue with gross domestic product. As is shown in table 70C, some variability in the tax system in relation to export fluctuations has generally existed in these countries, but it has been less marked than the corresponding response of revenues from exports alone. In addition to such changes in the proportions of total government revenue in gross domestic product, the absolute size of the shares is also important for stabilization purposes. When the proportions are small, the anti-cyclical effects also tend to be limited, even though the variations may be considerable. In this connexion, it may be noted that the average percentage

[1] The various measures used by the primary exporting countries of the region are considered in the next section.

[2] The term will be here used broadly to include revenues of all kinds from the export trade. e.g. export duties of various kinds, profits of state monolopies in the marketing of export commodities, and exchange profits. For some important forms of such revenue, see table 69.

of total government revenue in gross domestic product or national income in the postwar years has been about 16-18 for Ceylon, Burma and Indonesia, 14 for the Federation of Malaya, 11-12 for China (Taiwan) and Thailand, and below 9 for the Philippines.

The above analysis of wage and tax variations applies mainly to periods of export prosperity. In periods of export recession, downward adjustments of wages and taxes appear as a rule to have been considerably less pronounced in all countries here reviewed, with the exception of the Federation of Malaya.

INCOME, CONSUMPTION, SAVINGS AND CAPITAL FORMATION

The primary expansion in incomes arising from an export boom will soon result in increased expenditures by the recipients of profits, by wage earners and others in the export industries and export trade to the extent that their incomes also are affected, and, in most cases, by the government. These additional expenditures will produce chain effects of expansion in the income-expenditure circular flow throughout the economy. Prices will tend to rise, and larger stocks may perhaps be held. The higher levels of activity, costs and inventories will necessitate further increases in the supply of money and credit, and thus the flexibility of the monetary and banking system sets, to some extent, the pace of expansion. In Malaya, where a full sterling exchange standard has been in existence, the supply of both currency and bank deposits has responded automatically to changes in the balance of payments. In China (Taiwan), Indonesia and Thailand, in periods when penalty exchange rates were applied to exports, the money supply has increased less than it would have under a unitary exchange-rate system. In those countries where a

Table 69. Selected ECAFE Primary Exporting Countries: Composition of Government Revenue collected on Exports, 1948-1956

(Millions of national currency units)

Country, currency and item	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*
Burma (kyat):[a]									
Ordinary export duties	...	12	11	13	9	...	16	17	17
Receipts from public corporations[b]	...	151	169	176	246	344	459	536	186
Contribution to general government	...	151	169	176	246	344	188	366	56
Direct taxes	...	—	—	—	—	—	271	170	130
TOTAL	...	163	180	189	255	344	475	553	203
Thailand (baht):									
Ordinary export duties	111	141	171	251	212	215	220	352	403
Profits of Rice Bureau and "premiums" on rice exports	183	329	140	130	362	322	322	441	842
Exchange profits[c]	162	336	226	398	652	533	610	-31	-24
TOTAL	456	806	537	779	1,226	1,070	1,152	762	1,221
China (Tawian) (new Taiwan dollar):									
Gains on foreign exchange transactions	—	—	—	—	156	209	—	151[d]	170[d]
Malaya, Federation of (Malayan dollar):									
Ordinary export duties[e]	70	76	155	299	191	112	112	235	180
Anti-inflationary cess of rubber[f]	—	—	—	—	21	5	4	57	10
Research cess on rubber	3.9	4.5	7.3	4.7	4.9	6.1	6.4	6.8	6.7
Replanting cess on rubber	—	—	—	—	44	57	57	61	48
Cess on tin	—	0.4	0.4	0.4	0.9	1.0	1.1	0.8	0.8
TOTAL	74	81	163	304	261	181	181	361	246

Source: Unless otherwise specified, figures are from national budgets.

[a] Referring to fiscal year ending September.

[b] About 95 per cent of this item was from State Agricultural Marketing Board.

[c] For 1948, 1949 and 1950, figures are derived from "other deposits" of the Bank of Thailand, which consisted largely of the stabilization deposit of exchange profit. From 1951 onward, figures are from International Monetary Fund, *International Financial Statistics.* These exchange profits were not included in the government budget according to the practice of the Government of Thailand.

[d] Referring to fiscal year beginning July.

[e] Including the first schedule of export duty on rubber, *ad valorem*, export duty on tin and tin in concentrate, *ad valorem*, and export duties "not otherwise specified".

[f] Until May 1955, this was in fact the second schedule export duty on rubber, *an advalorem*, cess. In June 1955 this cess was replaced by a new anti-inflationary cess which operates when the gazetted price of rubber is over M$1.00 a pound.

Table 70. ECAFE Primary Exporting Countries: Comparison between Government Revenue, Export Value and Gross Domestic Product,[a] 1948-1956

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*Annual average*
A. "Revenue collected on exports"[b] as percentages of total value of export										
Burma	...	22.4	27.4	19.4	23.3	30.5	40.7	51.4	17.5	29.1
Thailand	22.0	29.0	15.5	17.7	26.5	18.5	18.6	10.7	17.6	19.6
Ceylon	...	14.8	11.2	15.5	16.1	13.0	15.1	19.7	19.5	15.6
Indonesia	10.0	8.0	16.1	26.7	17.1	11.0	5.6	7.1	4.2	11.8
Malaya, Federation of	6.6	6.9	6.2	9.0	12.2	11.3	11.2	15.2	10.9	9.9
China (Taiwan)	...	...	...	...	10.6	10.5	—	7.9	5.8	8.7
Sarawak	...	...	5.0	9.5	7.9	7.0	6.5	8.0	7.3	7.3
North Borneo	...	...	4.3	5.1	6.1	4.1	3.9	6.7	5.4	5.1
B. "Revenue collected on exports"[b] as percentages of total government revenue										
Burma	...	40.1	36.6	34.2	38.4	43.2	49.5	50.6	28.1	40.1
Malaya, Federation of	27.8	21.8	39.2	38.2	33.0	27.4	28.0	43.9	30.2	32.2
Sarawak	...	...	29.8	51.8	24.0	24.9	24.7	28.7	23.5	29.6
Ceylon	...	26.7	27.7	34.7	26.8	22.5	28.1	35.7	28.6	28.9
Thailand[c]	27.0	41.8	25.1	30.8	36.8	27.2	27.0	17.4	24.1	28.6
North Borneo	...	...	24.0	25.2	17.5	10.0	12.6	23.6	19.8	19.0
China (Taiwan)	...	...	...	...	10.7	9.8	—	3.8	4.7	7.3
Indonesia	5.2	4.6	7.0	11.1	14.7	7.7	4.7	5.3	2.3	7.0
C. Total government revenue as percentage of gross domestic product[d]										
Ceylon	...	18.2	14.7	17.2	18.7	18.5	18.4	18.8	...	17.8
Burma	...	12.6	15.7	15.0	16.3	17.2	21.3	22.7	14.4	16.9
Indonesia	...	...	...	18.6	15.5	16.3	12.9	14.2	...	15.5
Malaya, Federation of	...	13.9	10.4	14.1	16.6	15.2	...	...	...	14.0
China (Taiwan)	...	11.9	9.7	9.2	10.0	14.8	14.1	...	...	11.6
Thailand[c]	9.2	8.7	8.4	9.2	11.5	11.9	13.4	12.0	12.7	10.8
Philippines	6.8	6.1	7.7	10.1	9.2	8.8	9.4	9.7	10.0	8.6
Pakistan	...	...	5.0	7.5	8.0	7.2	6.3	...	...	6.8

Source: See table 69 and special tables on national accounts and government revenues in the appendix on Asian Economic Statistics.

[a] Revenue figures are on fiscal year basis; figures for export value are on calendar year basis. Countries are arranged on a descending order of average figures.

[b] "Revenue" collected on exports includes, for Burma, besides ordinary export duties, receipts from public corporations, chiefly State Agricultural Marketing Board; for China (Taiwan), gains on foreign exchange transactions only; for Ceylon and the Federation of Malaya, beside ordinary export duties, also various cesses; for Thailand besides ordinary export duties, also profits of the Rice Bureau and "premiums" on rice exports and exchange profits; for all other countries, export duties only.

[c] Receipts from foreign exchange profits have been included here in the total revenue, although this was not the practice followed in the compilation of government budgets.

[d] For Indonesia and Pakistan, national income.

minimum rate of international reserves to currency issue is stipulated by law, for example Burma and Indonesia,[1] the increase in currency supply has a limit. However, since foreign exchange earnings and international reserves both increase during a period of export boom, such percentage regulations have not generally proved to be the limiting factor.

Credit expansion has appeared to be less important than currency expansion, as in most primary exporting countries of the region bank deposits still play a secondary role. It is likely that for smallholders, and also for medium- and small-scale industries catering for domestic markets, the supply of credit is generally under-developed but not very flexible. But for plantation and estate production, especially foreign-owned estates largely financed by foreign exchange banks and with access also to financial resources of their head offices abroad, credit tends to respond easily to an export boom.

In a process of expansion originating in an export boom there are, however, "leakages". First, both profit recipients and wage earners may save a part of their increased incomes, and so may the government. Owing to high average and marginal propensities to consume, the savings of wage earners may well be insignificant in many cases. However, in the Federa-

[1] In Indonesia, the minimum percentage of currency reserves has been lowered seveal times.

tion of Malaya, the introduction of flexible wages in 1951 was accompanied by a savings campaign. In order to reduce the inflationary effect of the large extra wage payments in cash, workers were encouraged to deposit at least a part of their back pay with the Post Office Savings Bank[1] or with co-operative societies. Where no co-operative society existed, workers were encouraged to save at least M$10 each in order to establish a co-operative store. Savings deposits with the Post Offices are estimated to have increased by about M$20 million during 1951.[2]

Statistics are not available for savings accumulated from profits or wages. However, there are indications that in some countries of the primary exporting group, a part of savings, especially those of non-resident entrepreneurs and owners of capital and land, were remitted abroad. These savings also tended to reduce the inflationary pressure on the internal economy. In those countries where foreign capital plays an important role in the export industries, for example, Malaya and Ceylon, remittances abroad for payments of investment and other income have undoubtedly increased when the export trade was prosperous. Thus, in Malaya, the percentage of "factor income payments abroad" to gross domestic product[3] increased from 4.2 per cent in 1949 to 10.9 per cent in 1951. When the Korean boom receded, it fell to 3.1 per cent in 1952 and 1.6 per cent in 1953. Similarly, in Ceylon, the percentages were 1.3—1.4 per cent during 1950-1951 and 1.1 per cent in 1954, as compared with 1 per cent or less for other less prosperous postwar years.

As noted earlier, in every country under review a part of the extra export income is taken into the government's hand through various "tax" measures. If these revenues are not spent on current consumption, they will not contribute to the pressure on the cost of living. The net effect of government financial operations is, of course, attributable to a whole combination of factors and not merely to changes in its income from exports. As noted above, when exports increase, for example, the government generally receives not only more revenue from export taxes, but also more revenue from other taxes. On the expenditure side, again, there may be limitations to the extent to which, even assuming no conscious policy of restraint, increased government revenues will immediately lead to increased government expenditures. For instance, projects of sufficient number and magnitude may not be ready for execution. On the other hand, there will be equally changes in the level of government expenditures—for purposes of security or economic and social development or other purposes—which have little or no connexion with the export boom or recession. In short, the question of whether a government is likely to save more and even improve its budget balance[4] during an export boom depends on a complex of domestic as well as international factors.

Notable examples of a ready response on the part of public finance to changes in foreign trade are provided by the Federation of Malaya, and to a lesser extent by Ceylon, Indonesia and Pakistan. In the Federation of Malaya, Indonesia and Pakistan, the budget balances changed from deficits to surpluses during the period of Korean boom. In Ceylon, owing chiefly to large food subsidies, the Government did not achieve a budget surplus during the Korean boom, but the deficit was substantially reduced in 1950/51. The reduction of food subsidies in 1953/54, coupled with the tea boom, brought Ceylon's budget from a position of large deficit in 1952/53 to a moderate surplus in 1953/54 and a large surplus in 1954/55. Deficits re-emerged later, when the boom was over. In some countries, for instance, Burma and Indonesia, while revenue fluctuated with export prices during the period under review, expenditures showed a general rising trend, chiefly because of steadily growing expenditures on security and on economic and social development. It often happened that, when governments tried to maintain their levels of development expenditure during periods of export decline, they encountered either payments difficulties as a result of continued high levels of imports, or serious inflationary problems as a result of tightening of import controls while budget deficits increased the pressure of demand. They had therefore to cut down total expenditures after all, and usually also development expenditures.[5] For instance, development expenditures were reduced by the governments of the rice exporting countries, Thailand and Burma, in 1955 and 1955/56, and by those of the raw material exporting countries at various times—Pakistan in 1952/53 and again in 1954/55, Indonesia in 1953, Ceylon in 1953/54 and the Federation of Malaya in 1954.

[1] See Federation of Malaya, *Annual Report, 1951,* p.82.

[2] Malaya Planting Industries Employers' Association, *Annual Report, 1951/52,* pp.5-6.

[3] Based on data given below in Asian Economic Statistics, Special Table P.

[4] Government *savings* represent the excess of current revenue (including profits from government enterprises) over current expenditure; such savings may be used for financing investment or capital formation in the public sector. A government *surplus* is the excess of *total* government revenue over *total* government expenditure, or the excess of government savings over government investment; a government surplus (or deficit) thus represents "hoarding" (or "dishoarding") in the public sector. Government savings tend mostly to alleviate the immediate pressure on the consumer goods market, whereas a budget surplus alleviates the expansionary pressure on the whole economy.

[5] Including expenditures on investment, loans and advances (net), economic services and social services. See below, Asian Economic Statistics, special table L.

Although both private and public savings tend to reduce consumption, they will, if channeled directly or through financial intermediaries into investment, increase the demand for producer goods and labour. The increased private and public expenditures on both consumption and investment tend to be partly spent abroad. This represents inherently perhaps the largest "leakage" in a primary exporting country, where the propensity to import is generally high. The operation of this leakage is, however, influenced by import controls. Usually, governments follow a policy of relaxing import control when export earnings increase, thus helping to ease the inflationary pressure by reducing purchasing power on the one hand and increasing the supply of goods on the other. A quick response of imports to the general expansion appears, in fact, to be often essential for maintaining price stability in the primary exporting countries of the region—although this gain is bought at the cost of part of their foreign exchange reserves.

While the circular income-expenditure flow as affected both by export fluctuations and their repercussions and by other autonomous factors goes on continuously, an approximately valid *ex post* picture can be obtained from the annual statistical data of gross domestic product and its components. Available statistics, rough as they are, show that the current value of gross domestic product in several primary exporting countries of the region generally fluctuated in line with the export boom or recession during the period under review. Thus in Malaya, the gross domestic product at current prices more than doubled during 1949-1951, but fell back by 30 per cent during 1951-1953. Similarly, the gross domestic product of Ceylon also rose considerably between 1949 and 1951, but declined to a slightly lower level in 1952 and 1953, after which another cycle, of smaller amplitude, appeared during 1952-1956, with its peak in 1955 (see table 71). In Burma and Thailand, the gross domestic product fell slightly in 1954, when the world rice market became unfavourable. Similarly, Pakistan's national income at current prices fell slightly in 1952 and 1953. In China (Taiwan) and the Philippines, however, no close relation between export movements and movements of gross domestic products can be shown, as foreign capital also played a particularly important role in the economies of these two countries, and export trade was not quite as important as in some of the other primary exporting countries of the region.

In Malaya and Ceylon, per capita real consumption in the private sector, or the level of living, also fluctuated with changes in the fortunes of exports—almost instantly in Malaya but with a time-lag in Ceylon. In Burma, China (Taiwan) and the Philippines, the level of living showed a steady increase (except in Burma in 1956), regardless of trade fluctuations. For other countries data are not available.

The rate of savings appears to have been influenced substantially by export fluctuations in Malaya and Ceylon and, to a lesser extent, in Burma and China (Taiwan). Thus, the ratio of savings to gross domestic product in Malaya increased from 12 per cent in 1949 to nearly 30 per cent in 1950 and 27 per cent in 1951, and then fell in 1953 back to below the 1949 rate. Similarly, in Ceylon, the rate of savings had two ups and downs in response to the two export cycles during 1948-1956 (see table 71).

Domestic savings will not materialize in equivalent capital formation if a part of the savings is remitted abroad or takes the form of accumulated foreign exchange assets. On the other hand, capital formation will exceed the amount of domestic savings if foreign capital flows in. Ceylon's rate of capital formation was much more stable than its rate of domestic savings; foreign exchange assets were accumulated during periods of export boom and were depleted during periods of export recession (see last column of table 71). In Malaya, while a high rate of savings was achieved during the Korean boom, the rate of capital formation was, on the contrary, extremely low—only 5 to 6 per cent as compared with more than 10 per cent before and after the boom. About one-quarter of the gross domestic product in 1950 and about one-fifth in 1951 represented accumulations of foreign exchange reserves and remittances abroad. Burma's rate of capital formation followed very closely the rate of savings, with some accumulation of foreign exchange assets and remittances abroad, especially up to 1953. On the other hand, the excess of capital formation over domestic savings in China (Taiwan) and the Philippines in early postwar years was chiefly due to the inflow of foreign aid.

In short, an improvement in the export trade (accompanied usually by an improvement in the terms of trade[1]) of a primary exporting country tends, in the absence of compensatory movements in other sectors of the economy, to raise its income and foreign exchange proceeds. If the country allows the people to enjoy an immediate betterment of their level of living, and also chooses to accumulate international reserves, it has to forego a higher rate of capital formation and be prepared for a subsequent drop in the level of living or a severe reduction of inter-

[1] For measurement of gains from changes in the terms of trade in countries of the region during the postwar period, see "A statistical note on changes in the terms of trade and their effects on national income and trade balance in ECAFE countries", United Nations, *Economic Bulletin for Asia and the Far East*, Vol.VIII, No.1, May 1957.

Table 71. Selected ECAFE Primary Exporting Countries: Gross Domestic Product, Consumption, Savings and Capital Formation, 1948-1956

Country and currency	*Gross domestic product at current prices (in million)*	*Index of gross domestic product (1953=100)*	*Index of per capita real private consumption*[a] *(1953=100)*	*Rate of saving*[b]	*Rate of capital formation*[c]	*Excess of rate of saving over rate of capital formation*
Burma (kyat):						
1948	3,557	77	108	10.8	16.9	- 6.1
1949	3,234	70	65	16.4	8.1	8.3
1950	3,132	68	74	15.4	10.2	5.2
1951	3,690	80	87	19.1	12.9	6.2
1952	4,084	88	91	23.6	18.2	5.4
1953	4,620	100	100	25.2	19.0	6.2
1954	4,593	99	105	19.8	22.0	- 2.2
1955	4,808	104	106	21.7	21.0	0.7
1956	5,025	109	98	21.2	18.5	2.7
Ceylon (rupee):						
1948	2,817	61	76	6.8	6.2	0.6
1949	3,077	66	81	7.3	9.0	- 1.7
1950	4,096	88	95	14.4	10.6	3.8
1951	4,735	102	103	15.0	11.7	3.3
1952	4,530	98	105	6.3	13.4	- 7.1
1953	4,641	1000	100	7.6	12.0	- 4.4
1954	5,014	108	95	16.4	10.0	6.4
1955	5,538	119	103	16.8	11.3	5.5
1956	5,226	113	94	13.5	12.3	1.2
China (Taiwan) (new Taiwan dollar):						
1951	10,821	51	74	17.3	22.2	- 4.9
1952	15,750	74	81	17.1	22.0	- 4.9
1953	21,203	100	100	12.2	18.1	- 5.9
1954	23,158	109	104	8.8	17.9	- 9.1
1955	27,889	132	103	10.6	14.6	- 4.0
Indonesia (Rupiah):						
1951	82,819	...	...	6.0	4.7	1.3
1952	93,422	...	...	10.1	5.2	4.9
Malaya (Malayan dollar):						
1949	3,550	61	97	11.6	10.6	1.0
1950	5,345	92	106	29.5	4.5	25.0
1951	7,520	130	121	27.2	6.1	21.1
1952	6,350	110	107	16.6	11.9	4.7
1953	5,780	100	100	11.1	10.4	0.7
Philippines (Peso):						
1948	6,222	77	80	10.0	12.3	- 2.3
1949	6,196	76	89	2.45	10.7	- 8.3
1950	6,655	82	84	9.7	8.5	1.2
1951	7,415	91	87	6.8	7.5	- 0.7
1952	7,576	93	93	7.0	7.7	- 0.7
1953	8,111	100	100	8.4	8.3	0.1
1954	8,283	102	101	8.1	8.7	- 0.6
1955	8,820	109	108	6.8	8.9	- 2.1
1956	9,546	118	110	8.8	8.9	- 0.1

Source: See special tables on national accounts in the appendix on Asian Economic Statistics.

[a] Consumption in the private sector deflated by the cost of living index.

[b] Gross domestic saving as percentage of gross domestic product. "Gross domestic savings" equals "gross domestic product" less "consumption".

[c] Gross capital formation as percentage of gross domestic product.

national reserves, or both, when the terms of trade turn against it. Malaya has to some extent illustrated this case. If a country chooses to achieve and maintain a high and steady rate of capital formation and to minimize balance of payments difficulties when the export boom recedes, it has to prevent the level of living of the people from registering an immediate and corresponding improvement, so as to leave a substantial part of the additional foreign exchange reserves for financing capital formation, especially during the subsequent period of export decline. Burma and Ceylon have to some extent illustrated this case. The division between consumption and savings on the one hand, and the use of savings for capital formation and foreign exchange reserve accumulation on the other, can be influenced by the government's fiscal policy, its import and exchange control policy and its way of administering international reserves. Decisions on these policies have an important bearing on the stability and development of a primary exporting country.

Allocation of resources

The imposition, and varying, of export duties and other charges on the export trade have tended to reduce the disparities between the price of export commodities and those of commodities sold on domestic markets in the primary exporting countries of the region. The changes in relative prices have nevertheless appeared to affect the allocation of resources among various fields of economic activity during the course of the "export cycle". How far this was true in a given case appeared to depend partly on how long the changed price relation was expected to last.

In the postwar period, rice exports probably enjoyed the longest period of prosperity. However, since the internal prices of rice were kept at very low levels in Burma and Thailand, and since rice production is the single most important activity in the economies of these two countries, marginal shifts of labour, land and capital resources to (and, subsequently, away from) rice production were naturally not very large.

On the other hand, in many of the primary exporting countries of the region, rice, the most important food crop, does compete with cash crops (such as rubber, jute and sugar) for resources. Shifts of labour and land do occur in these cases, and appear to depend largely on the price of rice in relation to these other crops. A shift of labour within agriculture can usually be brought about in a very short period, but shifts of land seem to be more difficult. Jute and rice, and sugar and rice can be grown on the same soil, but rice fields cannot easily be converted into rubber or coconut plantations or *vice versa*. Moreover, as rubber and coconut trees take several years to reach maturity, the favourable price relation has to be expected to last for a fairly long period to cause a change in the use of land. Thus, shifts of resources between rice and rubber or coconut production have frequently occurred on small holdings but have taken the form of shifts of labour to different land, with consequent changes in the total area cultivated under rice. For instance, in British Borneo, the Federation of Malaya, the area under rice increased until 1950, when the price of rubber was comparatively less favourable than that of rice.[1] During 1950-1951, although rice was scarce and its price relatively high, the area sown to rice diminished because the price of rubber soared and some cultivators found rubber-tapping more profitable. When the price of rubber fell again, the area under rice once more expanded. In East Pakistan, the sown area under rice and jute fluctuated considerably with changes in their relative prices. To some extent this phenomenon also appeared in China (Taiwan) in the case of rice versus sugar.

While price relationships among various products are an important cause of marginal shifts of employment among industries, the level of employment in export industries appears to depend primarily on the relation between export prices and wages. In the Federation of Malaya, where wages were made flexible in the major export industries, employment appeared to be generally stable, with consequent benefits to social stability in geenral. The adjustments in response to export fluctuations seemed to affect all the other variables instead—public finance, foreign exchange reserves, wages and cost of living. In most of the countries under discussion, however, statistics on wages and employment are lacking, so that an approximate picture cannot be drawn. In one country of this group, the Philippines, there is a minimum wage law. But it is not known how this law has affected the level of employment, especially in exporting industries, which are all agricultural.

Information is also lacking regarding changes in capital investment in export industries in relation to other fields of economic activity during export fluctuations. It is likely that changes in fixed capital investment respond only to prospects of profits over rather long periods. Short-term or working capital, however, clearly tends to move rather rapidly in response to export fluctuations. There have been instances where industries which did not share in a particular export boom often found it difficult even to maintain their levels of operation. Thus the tea industry in Indonesia became a "weak export" during

[1] To a smaller extent, this appears also to have happened in southern Thailand.

the rubber booms and had to be granted an export duty reduction. Non-export industries in the Federation of Malaya encountered labour shortages and demands for wage increases during the Korean boom, but it was hard for them to grant substantial increases.[1] The position of non-export industries may improve during periods of dull export markets. However, if the export recession is so severe as to cause (apart from its adverse effects on domestic purchasing power) a considerable tightening of import control, these industries may also be unable to maintain an adequate and continuous supply of materials, tools, machinery and parts. It appears therefore that, from the standpoint also of planning for the development of non-export industries in the primary exporting countries of the region, proper measures for reducing export fluctuations need to be taken into account.

NATIONAL STABILIZATION MEASURES

While the world demand for and prices of their major export commodities are largely beyond the control of the primary exporting countries of the region, the governments of these countries have it in their power to introduce certain measures of domestic policy to soften the impact of export instability on their internal economies. The most direct measure of this kind is perhaps for the government to step in at the stage where the producer sells the commodity to the exporter, and to institute a state marketing monopoly which will buy the commodity on the domestic market at more or less stable prices, regardless of the unstable prices at which it may sell the commodity abroad. The government can, on the other hand, intervene at the stage where the private exporter is about to ship the commodity to the foreign importer, and can institute high export duties when the export price is high and lower export duties or even export subsidies when the export price is low. It can also exercise considerable control over the earnings of the exporter in terms of local currency by manipulating the exchange rate at the point where the exporter converts his foreign exchange proceeds into domestic currency.

Other measures, too, are sometimes used, but the foregoing devices are the ones that appear to be most practical. Monetary policy (apart from foreign exchange measures) is generally rather ineffective in the primary exporting countries of the region because deposit money is in most cases used only to a limited extent, organized money markets have not yet developed and the financial power of foreign banks is often so great that the central bank's operations are not decisive as far as they are concerned.[2] Fiscal measures other than export duties can also be used to help maintain internal stability, but their effectiveness is likely to be limited. The scope of the income tax is generally narrow[3] and its application to the agricultural sector is difficult. The government may float loans during a period of inflation, but Malayan experience in this regard, which was probably a good test case, proved to be not very successful.[4] The counter-cyclical effect of fiscal policy depends, of course, not on the revenue aspect alone, but also on the expenditure side of the budget and on the relative magnitude of revenues and expenditures as a whole.

PRICE STABILIZATION AND STATE MARKETING SCHEMES

By taking the marketing of an export product into its own hands, a government can cushion the impact of export instability on the domestic economy by using its monopoly power to divorce the domestic purchase price from the price governing foreign sales. When the country's main export product is involved, the stabilizing effect of state marketing tends to be considerable. For minor exports, it is not likely to be worth the trouble.

The outstanding recent examples of state marketing in the countries under consideration have been the schemes for rice in Burma and Thailand, sugar in China (Taiwan) and copra in Indonesia. Varying degrees of stabilization have been achieved. Mention may be also made of the price support schemes for cotton and jute in Pakistan. Rice in Burma and Thailand is not only the largest foreign exchange earner, but also the most important product of the economy, the biggest source of government revenue and the largest single item in the consumer budget. Similarly, sugar is the largest exchange earner in China (Taiwan). Comparable importance attaches to copra in eastern Indonesia, and to cotton and jute in Pakistan. Both copra and sugar, though to a lesser

[1] Cf. Federation of Malaya, *Annual Report, 1951*, p.37.

[2] This is not to deny some efficacy to monetary measures, even under existing conditions. For example, a Post Office Savings Campaign energetically pursued in the Federation of Malaya during the Korean boom period yielded good results. However, such voluntary efforts can hardly be regarded as a major weapon against inflation.

[3] In the Federation of Malaya, however, the company rate of income tax was increased from 20 per cent to 30 per cent during the Korean war boom in 1951.

[4] In July 1951, as an anti-inflationary measure, a M$1 million issue of M$10 premium bonds was made, to be drawn and redeemed twice yearly at higher values. Bonds not drawn were made redeemable on 1 December 1956 for M$11. Federation of Malaya, *Annual Report, 1951*, pp.70, 82.

extent than rice, are essential items in consumer budgets. Since all three commodities, especially rice and copra, are major items in the cost of living in the countries concerned, there must be assured supplies for domestic consumption at stable and reasonable prices. On the production side, these products are so important that very high or low prices tend to cause a large rise or fall in income and, consequently, inflationary or deflationary pressure on the whole economy. For this reason, too, price stability for these commodities is desirable. Further, if the domestic prices of these commodities can be kept from rising when the export market is brisk, governments can secure increased revenue from the export trade, and the revenue thus collected can be usd for conomic development. A state monopoly in buying and selling is one way of achieving all these objectives.

The Copra Fund in Indonesia

In September 1940, the Copra Fund was established to monopolize the buying and selling of copra in the eastern provinces. In this way, the Government was able to guarantee individual producers more stabilized prices. Since the Fund also acted as the main supplier for domestic oil industries, prices of important daily necessities such as coconut oil, soap and other preparations made from copra could also be stabilized.

The Copra Fund prevented sharp fluctuations in the world market price from exerting their full effects on domestic prices by increasing the spread between its procurement and selling prices when export prices were rising. This was done especially after 1950. On the other hand, when world prices of copra were falling, as for instance in 1948 and 1949, the buying price was sometimes maintained above the export price, and the Fund consequently operated at a loss. At times, the Fund allowed rises in the world market price of copra to affect the buying price more directly and act as a stimulus to supply. After early 1955, the buying price was however stabilized at a fixed level, in spite of the falling trend in the export price. Individual copra producers were thus insulated in part from the effects of the slump on the world market.[1] However, after 1950, the Copra Fund's procurement price remained continuously below the world price, and smuggling of copra appears to have taken place on a substantial scale in recent years. As the management of the Fund was subjected to severe criticism, the decision was taken to decentralize its operations under a newly instituted co-operative system. To this end the Central Copra Co-operative was established in its place in June 1957.[2]

The State rice marketing monopoly in Burma

In Burma, the State Agricultural Marketing Board (SAMB) monopolizes the direct purchase of paddy from the producers, buying at a fixed price which remained unchanged from 1948 to the 1955/56 season.[3] For this purpose, SAMB operates its own buying stations in paddy growing areas. SAMB also buys rice for export on a milled basis, at an ex-mill price which has been fixed at 10 per cent above the official paddy price. To ensure that the producer in this case also receives the fixed paddy price, millers are required to show evidence that they have paid the official paddy price for the rice sold to SAMB.[4]

Although no cost data of SAMB operations have been published since 1950, available estimates suggest that formerly about 50 per cent was added to the official ex-mill price of rice bought for exporting by operating costs—including cost of procurement, bagging, transportation, export duties, handling expenses and allowances for normal physical losses and for interest and amortization charges on capital assets. On this assumption, the margin of net profit derived by the SAMB on its rice sales abroad rose steadily from nearly 28 per cent of the export unit value in 1947/58 to as much as 47 per cent in 1952/53, when rice export prices reached their peak. Since then, rice export prices have deteriorated continuously (see chart 18), and the margin of net profits has been greatly reduced.

The State rice marketing monopoly in Thailand

The monoply in the buying and selling of rice for export operated by the Government of Thailand down to the end of 1954 was less strict than the one in Burma. In fact, unlike Burma, which has relied almost exclusively on its State monopoly, Thailand used this device in combination with multiple exchange rates and flexible export duties. The Rice Bureau of Thailand procured all rice intended for export from rice mills at prices fixed by it, although the actual stock of rice was still kept in the mills. As a

[1] Other activities of the Fund were directed towards maintaining the quality of the Indonesian copra by standardizing the process of drying; a premium was paid for copra of higher quality. In order to stimulate export diversification, the Fund built a desiccated coconut factory in 1955. A coir fibre factory (to utilize coconut husks in making carpet, rope and so on) is under construction.

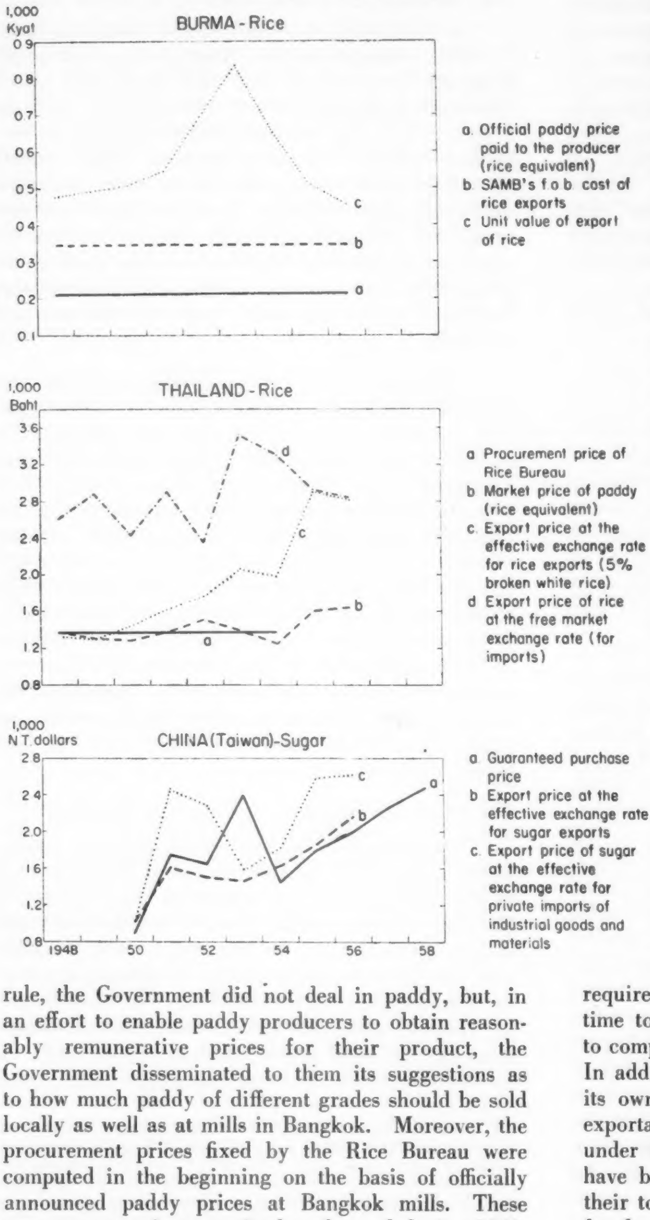
[2] Unlike the Copra Fund, which bought a large part of copra from individual middlemen and producers, and directly received the profits from the copra trade, the Central Co-operative handles only the selling of copra for its members, i.e. the co-operatives already in existence or to be established in various regions. The aim is that proceeds and profits should fall to the respective areas. The Central Copra Co-operative is entitled merely to meet operating expenses as determined by its members.

[3] The fixed price in this period was 213 kyats per ton (rice-equivalent). It was increased by 5 per cent for the 1956/57 season.

[4] The SAMB does not seek to control the internal distribution and price of rice directly, but it exerts indirect influence by selling rice to consumers at fixed retail prices at designated government sales depots established in deficit areas. The volume of such direct sales to consumers has generally been increasing in recent years.

Chart 18. Burma, Thailand and China (Taiwan): Controlled and Market Prices of Rice and Sugar, 1948-1956

(Prices per metric ton)



rule, the Government did not deal in paddy, but, in an effort to enable paddy producers to obtain reasonably remunerative prices for their product, the Government disseminated to them its suggestions as to how much paddy of different grades should be sold locally as well as at mills in Bangkok. Moreover, the procurement prices fixed by the Rice Bureau were computed in the beginning on the basis of officially announced paddy prices at Bangkok mills. These procurement prices remained unchanged during 1948-1954. (See chart 18).

As the officially announced paddy price was not enforced, millers might work without profit or even at a loss whenever actual paddy prices rose above the official price (see chart 18). As a result, the Government from time to time found it difficult to procure enough rice to fulfil its export commitments. The Government was thus obliged to resort to incentive measures in order to induce delivery to the Rice Bureau. The most important incentive was the allowance of a certain proportion of private rice exports if the exporter delivered a certain amount of rice to the Bureau. While the private exporter had to surrender an amount of foreign exchange equivalent to the government-to-government contract price, he could retain whatever exchange could be obtained from his private sales above the government's contracted prices and sell it on the free exchange market at the current favourable rate. However, in order to siphon off a part of the extra profit and to regulate export quantities, a so-called premium—in fact, a kind of export duty—was charged on private rice exports at the time when the private exporter obtained his export licence. As export through private channels was thus allowed on a limited scale, the government export monopoly was partially relinguished and some of the impact from the fluctuations in the export price was transmitted to the domestic prices of rice and paddy. At the beginning of 1955, the government rice monopoly was terminated, and the rice trade was turned back to private merchants under a system of export licensing. The domestic market price of rice began to rise as a result (see chart 18).

The state sugar marketing monopoly in China (Taiwan)

Sugar exports in China (Taiwan) are monopolized by the Taiwan Sugar Corporation, a government enterprise. Its aim is to ensure a supply of sugarcane adequate for the production of sugar for both export requirements and domestic demand, and at the same time to keep costs down as far as possible in order to compete with foreign supplies on the world market. In addition to processing sugar from cane grown on its own farms, the Corporation contracts to buy all exportable sugarcane from private farms for the mills under its control. In recent years, private growers have been permitted to retain up to 20 per cent of their total output of sugarcane for their own use and for domestic sales at the market price. For the major portion, which they have to sell to the mills, the Corporation guarantees fixed prices.

The guaranteed price for sugar was first fixed in terms of rice. As sugar and rice are the two major crops in Taiwan—the one being the chief foreign exchange earner and the other a staple food item—

adequate production of both is necessary to maintain a stable economy. However, in some areas the two crops compete for the same soil, and the farmer's decision is affected by their price ratio at the time of planting or the one anticipated at the time of harvest. Hence, in 1950, when the falling sugar price had threatened to cut down the exportable surplus of sugar, the Government launched a sugar-rice price parity programme under which it undertook to subsidize sugarcane growers should the price of sugar fall below the price of rice, weight for weight. As the world sugar price then rose, the Government incurred no expense at first, but in 1952, when the world sugar price fell sharply and the domestic rice price rose, the Government was caught in a price squeeze. By May 1953, it had sustained a loss of NT$220 million which was paid out in bonds instead of cash in order to avoid further inflation. The sugar-rice price parity formula was accordingly abolished, and in its place a guaranteed price for sugar was established on the basis of per hectare returns from an alternative or substitute crop, this price to be set in advance by the Government and announced by the Corporation at planting time. Under this scheme, the guaranteed price of sugar was reduced from NT$2,400 per ton (at parity with rice) in 1952/53 to NT$1,400 per ton for 1953/54 (see chart 18). After that, however, it was repeatedly raised. Meanwhile, the operation of the International Sugar Agreement[1] has helped to stabilize the sugar price on the world free market, and the export quota of China (Taiwan) under the Agreement has determined the total acreage for which mills can contract with cane growers.

The cotton and jute price support schemes in Pakistan

Government support of certain minimum prices is one way to stabilize domestic prices of primary products and ensure a fair return to the producer in spite of fluctuating export prices. Whenever a drop in export prices causes domestic prices to fall below the established minimum, government agencies stand ready to purchase unlimited quantities, thus stopping the domestic price decline. This method is used by some economically advanced countries, for example, by the United States in the case of raw cotton. In the primary exporting countries of the ECAFE region, only Pakistan has used it on a large scale—for both cotton and jute during the post-Korean recession.

The sharp fall in prices of cotton and jute in late 1951 and 1952 obliged the Pakistan Government's Cotton Board and Jute Board[2] to purchase these two commodities in unlimited quantities at floor prices[3] in an effort to safeguard growers and traders against further declines. This afforded some relief to cotton and jute growers, but the decline in export prices proved to be greater and last longer than was foreseen. Financial problems were thus added to those of surplus disposal.

As the export prices fell below the floor prices, heavy stocks accumulated with the Boards. By the end of May 1952, the Jute Board had purchased about 330,000 bales of jute and, by the end of June, the Cotton Board had been tendered about 363,000 bales of cotton. Faced with a bearish world market, the Boards had to sell stocks abroad below the domestic floor prices, an operation which caused substantial financial losses to the Government. The floor prices were therefore lowered. In addition, private export sales below the floor prices were permitted, the Government agreeing to make good to the exporter the difference between the floor prices and the export prices actually received. Thus, the price support schemes were partly converted to export subsidy schemes. By the time these price supports were finally abolished, in August 1952, the Cotton Board had purchased about 450,000 bales of cotton, more than half of which had already been disposed of at prices below the support level, and the losses of the Jute Board were estimated in the budget at about Rs 90 million.

Exchange rate manipulation

There are several ways in which foreign exchange rates may be manipulated with a view to reducing the impact of export instability on the internal economy, as well as on the balance of payments. Three main devices stand out: the fluctuating exchange rate, the definitive currency appreciation or devaluation, and multiple exchange rates. Manipulations of foreign exchange rates in most cases affect not only exports but also imports and other international transactions, and because of their international repercussions the importance of avoiding their indiscriminate use has been widely recognized.[4]

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[1] See above, chapter 5.

[2] The Jute Board and the jute price support scheme were instituted in October 1949. In addition to providing price support, the Jute Board has been instrumental in increasing Pakistan's jute baling capacity, constructing warehouses, developing ports and their handling capacity and fostering co-operative societies for raw jute. The cotton price support scheme was introduced in March 1952.

[3] The floor pirces for fully good 289F roller ginned cotton of $\frac{15}{16}$" staple was fixed on 1 March 1952 at Pakistan Rupees 90/- with appropriate price differences for other varieties and "of" and "on" margins for different grades. The floor price for jute announced on 19 March 1952 was fixed at Pakistan Rupees 23/- per maund for Jat Bottom.

[4] The same applies to export subsidies. See Articles of Agreement of the International Monetary Fund (IMF), and the text of the General Agreement on Tariffs and Trade (GATT). Within the ECAFE region twelve countries—Afghanistan, Burma, Ceylon, the Republic of China, India, Indonesia, Japan, the Republic of Korea, Pakistan, the Philippines, Thailand and the Republic of Viet-Nam—are members of the IMF, and seven—Burma, Ceylon, India, Indonesia, Japan, the Federation of Malaya and Pakistan—are among the contracting parties of GATT.

Fluctuating exchange rate

A country may adopt a flexible exchange rate system under which the exchange rate is allowed to fluctuate fairly freely in response to the market forces of demand and supply. Whenever export prices rise to the point at which the balance of payments becomes positive, the exchange value of the currency will appreciate, and the income of the export sector in terms of local currency will not be as much inflated as would be the case were the exchange rate fixed; and conversely, when falling export prices make the balance of payments negative. A flexible exchange rate can presumably also provide automatic adjustments in the balance of payments itself. Whenever there is a balance of payments deficit, the exchange value of the currency tends to depreciate. The depreciation of the currency, in turn, tends to encourage exports and discourage imports, and thus to improve the balance of payments—after which the currency may even appreciate again. However, the workability of this kind of adjustment presupposes at least that both home demand for imports and foreign demand for home exports remain elastic.

Among the countries of the region, only Thailand and Indonesia have adopted fluctuating exchange rates. Since 1947, Thailand has had a free exchange market along with the official exchange market. When the official exchange rate was abolished entirely in late 1955, the free market was enlarged to cover all international transactions (controls being maintained, however, over invisible items), with the result that the exchange system became essentially a system with a fluctuating exchange rate. However, it is difficult for several reasons to asses sthe actual and potential internal stabilization effect of exchange rate fluctuations in Thailand. The market exchange rate has itself been very stable since late 1955 under the influence of the operation of the Exchange Equalization Fund. The export and import trade have also been rather steady. The picture is also complicated by the flexible export duties recently imposed on rice and rubber and the flexible royalties on tin.

In Indonesia, intermittent balance of payments difficulties again became more acute in the first half of 1957, on account partly of setbacks in foreign demand for home exports and partly of home inflation which raised the cost structure. In June, export promotion certificates were introduced. Exporters under this system receive certificates equal to the full foreign exchange proceeds to their exports, and sell these claims on foreign exchange for imports in a free market, keeping 80 per cent of the rupiah proceeds and turning over the other 20 per cent to the Government as a kind of tax. The Government itself acquires its foreign exchange in the open market. Up to early October 1957, the prices of the certificates fluctuated between 205 and 260 per cent of their nominal value. Thus, Indonesian system has in fact developed a fluctuating exchange rate. However, since the tax on export exchange and the surcharges on imports are considerable, the tendency of the fluctuating rate to provide an automatic adjustment in the balance of payments may not be very great. The situation is, in any case, complicated by smuggling and by the barter trade being conducted by some of the provinces outside of Java.

Currency appreciation or devaluation

Theoretically speaking, an official appreciation of the exchange value of a currency during an export boom can also shield the internal economy from inflationary pressure by preventing the (local currency) income of exporters from increasing. There have, however, been very few such cases in the region since 1945. It is possible that, in practice, currency appreciation might obviate inflation but, in the absence of concerted international action to re-align exchange rates, it might in the process discourage exports even during a period of intensified world demand. In any event, governments have generally preferred not to appreciate the currency, but to siphon off part of the additional money incomes into the public treasury through fiscal measures or multiple exchange rates.

One rare example of currency appreciation, presumably to keep inflation in check and bring the cost of living down, is the lowering of the Bank of Thailand's selling rate and the consequent raising of the exchange value of the baht on the open market in 1952 in Thailand. However, as this step was taken at a time when the export markets for rubber and tin had already deteriorated, it aggravated the difficulties of the rubber and tin industries, which did not, however, face the full effects of this currency appreciation because part of the export proceeds had to be surrendered to the Bank of Thailand at the (unchanged) official exchange rate. Soon after the curerncy appreciation, the rice market also turned unfavourable. The falling export proceeds did not appear to warrant the enlarged imports induced by the currency appreciation. The central bank suffered a substantial loss of exchange reserves and withdrew its support to the exchange value of the baht on the open market, which by early 1954 had returned to approximately its 1950 level.

Mention might also be made of Pakistan's decision not to devalue in 1949, when the British pound sterling and its associated currencies including

the Indian rupee, were devalued.[1] The main ground for Pakistan's policy was that maintenance of the existing rate would promote industrialization by holding down the rupee cost of imports of capital goods, and would keep the price level from rising. The Korean hostilities shortly after brought a raw material boom in which Pakistan shared. Since the inflationary pressure would have been larger had the country devalued its rupee, non-devaluation contributed to the maintenance of internal economic stability in that period.

Much more familiar than currency appreciation is currency devaluation.[2] In a period of declining exports, devaluation tends to help maintain the money incomes of exporters in terms of local currency, and meanwhile to stimulate exports but discourage imports and thus support the balance of payments. Indonesia took this step in 1952, and Pakistan in 1955.

The latter country's action was because, since competition in world export markets had increased following the collapse of the Korean boom, it was believed that devaluation would improve the balance of payments, which had deteriorated since 1952, and that economic development, particularly industrialization, had changed the structure of the economy. The country had developed an export potential in jute goods and cotton yarns, which needed to be promoted, and had achieved self-sufficiency in cotton textiles, paper and a number of other consumer goods, whose import prices were therefore no longer as significant as before in determining the domestic price level.

In Indonesia, under the exchange certificate system of March 1950-February 1952, which included the Korean boom period, the effective exchange value of the rupiah for export purposes was one-third above the effective exchange value for imports. The sharp fall in export prices soon faced the export industries with difficulties in adjusting their costs. In February 1952, the exchange certificate system was abolished, and the effective exchange value of the rupiah for exports was devalued by one-third so as to bring it to the same level as that for imports. In mid-1957, the *de facto* exchange value of the rupiah was again reduced, through the introduction of export promotion certificates, to cushion recent setbacks in foreign demand and export prices and maintain the money income of the export sector.

Multiple exchange rates

Multiple exchange rates arise when there is a substantial spread[3] between the exchange rate for exports and the exchange rate for imports. In addition, a country may have differential rates for imports and other payments, or for exports and other receipts, or both. If the effective exchange rate applied to exports is—for example, during an export boom—less favourable than the import rate, money incomes in local currency generated in the export sector will be smaller than otherwise. Conversely if—say during an export slump—the effective exchange rate is improved, money incomes will be larger than otherwise. This device can thus serve to reduce the impact of export fluctuations on the internal economy.

Of the countries of the region under review, China (Taiwan), Indonesia and Thailand have recently applied, or are still applying, multiple exchange rates in one form or another.[4] In Thailand during 1947-1954, the exchange rate applied to rice exports was the official one, which was about 40 per cent less favourable to the exporter than the market rate of exchange. In the case of tin and rubber exports, part of the proceeds had to be surrendered to the Bank of Thailand at the official rate, but the rest could be sold on the open market at the market rate. The effective rates to exporters of rubber and tin were therefore less favourable than the market rate, but more favourable than the rate for rice. During the boom period for exports, this system helped prevent money incomes in the export secor from increasing parallel with export receipts. After 1953, however, when exports declined, it became a hindrance to the maintenance of export markets, and appeared to produce a deflationary effect. The market exchange rate as applied to the three major exports was therefore gradually increased after late 1954. In mid-1955, all exports were permitted to use the market exchange rate, and with the termination of the multiple exchange rate system, the internal prices of export commodities and the money incomes of their producers tended to gain. However, as noted below, an increase of export duties has largely nullified these gains.

In Indonesia, the multiple exchange rate system is more complicated and has changed quite often. The movement of the entire rate structure appeared

[1] The devaluation of the pound sterling and its allied currencies in September 1949, although arising chiefly out of balance of payments considerations of the sterling area viewed as a whole, tended also to have an internal stabilizing effect in the primary exporting countries of the region which had participated in the devaluation. All the sterling area countries in the region except Pakistan, (i.e. Burma, Ceylon, Hong Kong, India, Malaya, North Borneo, Brunei and Sarawak) devalued their currencies to the same extent as the pound sterling had been devalued in relation to the dollar—by 30.5 per cent. Other countries in the region which have a traditional link with European countries, i.e. Indo-china (divided since 1954 into Cambodia, Laos and northern and southern Viet-Nam) with France and Indonesia with the Netherlands also devalued their currencies to the same extent as the French franc and the Netherlands guilder respectively.

[2] Successive currency devaluations took on the character of a competitive struggle among nations for export markets, and contributed substantially to the disorganization of world trade, in the period between the two world wars.

[3] According to the International Monetary Fund, a spread of more than 1 per cent. IMF, *Fifth Annual Report on Exchange Restrictions*, p.144.

[4] The application of the exchange tax in the Philippines during 1951-1956 may also be considered as creating a multiple exchange rate system.

in general to involve a gradual depreciation of the rupiah, reflecting partly the internally generated inflation and partly the foreign-induced balance of payments difficulties. In line with the trend of the general depreciation, exports were treated less favourably during periods of strong foreign demand and high prices and conversely. Thus, the exchange certificate system applied during March 1950-February 1952 resulted in an effective export rate one-third below the effective import rate (in terms of rupiah) and, after the boom abated, the export rate was raised to a par with the import rate.

In China (Taiwan), also, exchange certificates are used, but, as their market price has usually been frozen, the exchange rate system has consisted essentially of dual rates: an official rate and a market rate. A large portion of the export proceeds from sugar and rice was generally required to be sold at the official rate, and the effective rate applied to sugar and rice exports has been the least favourable rate applied to any exports, although in terms of local currency it has risen along with the depreciation of the entire exchange structure.

Export duties

All of the region's primary exporting countries except China (Taiwan) and the Philippines impose duties on at least their major export commodities. By means of variations in rates, export duties can be used to siphon off excess purchasing power when prices of exports are high and to afford relief when export conditions turn unfavourable. Very few countries of the region have gone further and given export subsidies during periods of export decline, although in exceptional cases this, too, has been done—for example, the *de facto* export subsidies to jute and cotton granted in Pakistan for a short time in 1952 as noted above and to sugar and several "weak" exports, on a small scale, in Indonesia.[1] Flexible export duties, however, have been used very extensively, the rates being sometimes changeable by administrative decision and sometimes varying automatically according to a sliding-scale formula.

When the export duty is a specific tax, i.e. is imposed per unit of quantity of the commodity exported, it naturally has no flexibility in relation to changes in export prices unless the rates are made variable. When the export duty is an *ad valorem* tax—as in the case of coconut products in the Federation of Malaya, North Borneo and Sarawak, and of rubber in Brunei and Cambodia—there is some flexibility in the duty, since the total tax receipts per unit of quantity of the export commodity increase (or decrease) when the export price rises (or falls). Sometimes the system is more complicated. In some countries under review, extra export duties are levied at variable rates on top of ordinary export duties which are usually specific and small and which either remain unchanged or are changed without any relation to the movements of export prices. In some other countries, cesses for particular purposes are levied in addition to specific or *ad valorem* export duties. Such cesses are usually much smaller than the ordinary export duties, but in a few exceptional cases they are made to vary with price changes.

Administrative changes in export duty

Probably the most notable cases in the region of specific export duties which are subject to administrative changes in rates are those on rice in Thailand, on jute and cotton in Pakistan and on tea, coconut products and rubber in Ceylon.[2] These rates of duty have been changed quite frequently by administrative order in line with export prices, especially during periods of substantial price fluctuation. Thus, in Pakistan, when the average unit value of jute rose from Rs 153 per bale in the second quarter of 1950 to Rs 238 a year later, the export duty was subsequently raised from Rs 20 per bale (for long jute) to Rs 35. When in the third quarter of 1952 the unit value of jute fell to Rs 107 per bale, the rate was reduced to Rs 15.[3] Similar changes were also made on cotton during the same period.[4]

In Thailand, while the ordinary export duty on rice is and has been *ad valorem* (at a rate, for example, of 4.2 per cent for white rice), the extra export duty—the so-called premium on rice exports—is specific, and its rates have been changed from time to time. Following increases in premiums generally in line with those in export prices in the earlier postwar years, the premiums suddenly jumped in August 1955 to offset the effect of devaluation of the rice export exchange.[5] Subsequently, when the world rice market was dull, the rates of the extra duty were reduced.

[1] The Indonesian system of export subsidies to sugar, introduced in 1953, "consists of requiring producers to deliver a portion of their output for export, in return for receiving a price in the domestic market that is above world levels". Subsidies to "weak" exports, including tea, kapok and several other products, were introduced in 1955 at a rate of 5 per cent. Benjamin Higgins, *Indonesia's Economic Stabilization and Development* (New York, 1957), pp.5 and 21.

[2] For varying periods, Ceylon also used sliding-scale export duties on its major exports (see below).

[3] See 'Note on taxation and development of agriculture in under-developed countries with special reference to Asia and the Far East", prepared by the Fiscal and Financial Branch, Bureau of Economic Affairs, United Nations, for the ECAFE Working Party on Economic Development and Planning (E/CN.11/DPWP.3/L.8, August 1957).

[4] Rates of export duty on jute and cotton were again raised in August 1955, mainly for the purpose of partially offsetting the inflationary effects of currency devalution.

[5] When the exchange rate applied to rice exports changed from the official rate of baht 12.5 per United States dollar to about baht 21, the rate of the extra export duty on rice increased, e.g., for 5 per cent broken white rice, from baht 400 to baht 1,050 a ton. This explains the sudden rise of the curve in chart 18, which represents the export price of rice at its effective exchange rate. The difference between this curve and the "*b*" curve showing the domestic market rice price consists largely of the extra duty.

For example, for 5 per cent broken rice, they were lowered to baht 935 in November 1955 and to baht 840 in December 1956. The variations in the rates of the extra export duty on rice in Thailand have also been partly attributable, however, to the need of assuring an adequate domestic supply.[1]

In Ceylon, various cesses (e.g. cesses for research, sales promotion and replanting) are added to the export duties on tea, coconut products and rubber. The rates for these cesses have generally been very low as compared to the ordinary duty rates. They are also rather stable, and such alterations as there have been have had little connexion with price changes. In contrast, the rates of ordinary export duties have varied substantially along with price movements. Thus, during the Korean boom, the rate on tea was raised from Rs 38 per 100 pounds to Rs 53 in July 1950 and again to Rs 60 in March 1951, and, after the boom was over, it was lowered to Rs 45 in October 1953 (after a period during which sliding-scale duties were applied). It was increased again during the 1954-1955 tea boom, reaching a peak of Rs 130 in January 1955. Since then it has been reduced as the export price of tea has fallen, and by the end of 1957 it was only one-half of the peak level. Similarly, except in the sliding-scale period, referred to below, rates of export duty on rubber and coconut products have also been changed by administrative decision more or less in line with price movements.

When export duties are adjusted administratively, changes in the rates often appear to be sudden and lag somewhat behind the changes in export prices. During periods of rising prices, this time-lag in taxing the extra profits tends to reduce the anti-inflationary impact of the tax and deprive the Government of potential revenue. During periods of falling prices, the delay in reducing the rates may cause the taxes to become exorbitant in view of the depressed market. Moreover, a succession of sudden changes in taxation may create an atmosphere of uncertainty in the market and thus become detrimental to trade and production. In this respect, *ad valorem* taxes on export commodities offer certain clear advantages, since they are more flexible and automatically maintain a close relationship between the tax and the commodity price level.[2]

While *ad valorem* duties on export commodities assure that, when the price goes higher, a given unit of quantity will bear more tax than before, the internal stabilization effect of a fixed-rate *ad valorem* export duty may still be insufficient if the price fluctuations are great. However, the rate of *ad valorem* export duty can also be varied — either administratively or automatically on a sliding-scale basis. A good example of administrative adjustments in the rates of *ad valorem* export duties is Indonesia's "additional export duty" on rubber, which was 25 per cent *ad valorem* beginning February 1952 and was then reduced to 15 per cent in June 1952 and 10 per cent in 1953.[3]

Sliding-scale export duties

Sliding-scale export duties are in force on rubber in the Federation of Malaya, Sarawak, North Borneo and Thailand and on tin in the Federation of Malaya. They were also applied in Ceylon on tea in the period September 1951 to October 1953, on rubber from September 1951 to May 1956 and on coconut products from December 1951 to December 1953.

The Federation of Malaya's export duty on rubber consists of four parts, the first and second schedule duties being levied on the basis of sliding scales, the third and fourth on a specific basis. The first schedule duty yields the bulk of all duties collected on rubber exports and accrues to general government revenue. The rate is 5 per cent *ad valorem* when the price of rubber does not exceed M$0.60 per pound. When the price goes higher, the duty is calculated according to the formula $\frac{1.55\ P-63}{10}$, where P is the weekly price notified by the Government for duty purposes.[4] The second schedule duty was formerly (through May 1955) set aside to assist the rubber industry. The rate was nil when the price of rubber did not exceed M$0.60 a pound, above which price it was calculated according to the formula $\frac{0.45\ P-27}{10}$. Since June 1955, however, following the abolition of this cess, the second schedule refers to a new anti-inflationary cess which operates when the gazetted price of rubber exceeds M$1.00 a pound, the duty being calculated according to the formula $\frac{2.5\ P-250}{10}$. The third schedule is a research cess, fixed at one-half Malayan cent per pound, the revenue from which accrues to the Malaya Rubber Fund. The fourth schedule is a replanting cess. The one in force from 1952 was

[1] Thus, export duty rates may be increased if the crop is poor. Although the slight improvement in the world market for rice may also have been a factor, the main reason for the increase of extra duty in July 1957 appears to have been to conserve rice for domestic consumption, in anticipation of a poor crop.

[2] "Note on taxation", *op.cit.*

[3] "Additional" export duties were introduced in Indonesia in February 1952, the commodities and rates (in percentages) up to 1955 being as follows:

	1952		*1953*	*1954*	*1955*
	4 Feb.	*1 June*			
Rubber	25	15	10	—	10
Copra	25	25	10	10	—
Palm oil & palm kernels	15	15	—	—	—
Coffee, pepper	15	15	15	15	—
Tea	15	15	—	—	—
Hard fibres, hemp	15	15	—	—	—

Source: Bank Indonesia Report.

[4] This corresponds to the average of the noon Singapore Buyers' Market Price for No.1 Ribbed Smoked Sheet f.o.b. in bales for each of the working days in the preceding fortnight.

cancelled in September 1956 and replaced by the present replanting cess, levied at the rate of 4.5 Malayan cents a pound.

The anti-inflationary cess in the Federation of Malaya, in some respects a unique example of a flexible export duty used as a stabilization measure, is administered by a Board which allocates the cess between estates and smallholders according to the proportionate amounts of rubber produced by them respectively during the period to which the cess applies. The cess is paid into an Anti-inflationary Cess Fund and is refunded when the gazetted price of rubber remains for eight successive weeks below M$1.00 per pound. The allocation to estates is refunded to them individually. As it is considered, however, that the smallholders' share of the refund cannot be repaid to individual smallholders, the replanting cess is instead reduced from 4.5 cents to 2 cents, and the difference is made up by transfer from the anti-inflationary cess fund.

In other countries which have used or are now using sliding-scale export duties, simpler formulae are applied. In Sarawak and North Borneo, the rate of export duty on rubber is 5 per cent *ad valorem* when the rubber price is not more than M$30 per picul,[1] but changes to 10 per cent on the first five Malaya dollars per picul and 15 per cent on the remainder when the price goes higher. A similar sliding-scale duty is imposed on exports of pepper in Sarawak, with a rate of 5 per cent for the first fifty Malayan dollars per picul, 10 per cent on the next twenty-five dollars and 15 per cent on the balance.

Ceylon's sliding-scale export duties on tea, coconut products and rubber had a larger number of price intervals and therefore more progressive rates than those used in Sarawak and North Borneo. The sliding-scale system suggested itself during the Korean boom. However, when it was eventually introduced, in September 1951, export prices had already started falling and continued to fall afterwards. As a result, the bottom rates were operative for a considerable part of the following year. It was moreover alleged speculation was likely if changes in export duties were based on market prices of two weeks earlier. Large shippers, especially of coconut oil, were said to be able to influence the market two weeks prior to their anticipated heavy shipments, holding off buying and thus driving the price and the duty down, and then buying at low prices and paying lower export duties. It was also believed that the sliding scales brought in less revenue to the government than the former specific rates. In view of these considerations, the sliding-scale system of duties on tea and coconut products was abolished in late 1953. The duty on rubber had almost ceased to "slide" during 1953-1954 because of the low prices for rubber, and in 1956 this sliding-scale duty also was abolished. However, the rates of export duty on Ceylon's major commodities, although now on a specific basis, are still made to vary by administrative order with changes in export prices. Ceylon has abolished the sliding scales, but not the principle of varying export duty rates, as a major internal stabilization measure.

Ceylon's experience raises some interesting questions—questions which deserve consideration particularly because, as noted, stabilization when sought through duty adjustments by administrative order may cause considerable disturbance to the market. First, must the sliding scale inevitably give rise to commodity speculation, or does this depend on the particular administrative regulations adopted? In the case of Ceylon, the period on which f.o.b. prices were calculated was short, and fell almost immediately before either shipment or registration; the period when the export duties were in force was one week; and the permitted period of shipment under a registered contract was as long as three to six months. It is worth considering whether, if a duty were fixed on the basis of a still shorter period, say one day, or of a longer period, say a month or more, it might be possible to overcome the speculation difficulty.[2]

Second, must sliding-scale export duties always result in lower revenue than specific export duties? This may be possible during periods of low export prices. Since the basic rates under sliding-scales are usually lower than rates fixed under specific duty systems. It will of course be even more likely if traders are in a position to depress the prices and consequently the rates operative at the time of shipment. However, the level of government revenue should be judged over the entire period of the cycle. It is precisely the underlying principle of a sliding-scale of export duty that it is designed to yield larger revenue in periods of export prosperity and lower revenue in periods of export decline. The impression of an inherently lower revenue yield perhaps derives from the fact that Ceylon's sliding-scales were introduced just at the time when exports were falling off. Had they been introduced earlier, the result would presumably have been the opposite.

APPRAISAL

The various stabilization measures discussed above may be used either separately or in combination, depending on economic considerations as well as on political, administrative and other circumstances.

[1] 1 picul = 133 lb or 60.34 kg.

[2] See *Report of the Taxation Commission to the Government of Ceylon* (Colombo, 1955), pp.278-283.

Burma relies almost entirely on state marketing, the most direct of these measures, while Ceylon, the Federation of Malaya, North Borneo and Sarawak confine themselves almost exclusively to the flexible export duties, the most indirect measure. Other countries have resorted to several of the measures in combination. In China (Taiwan), state marketing and multiple exchange rates (with some fluctuation) have been and are still used together. In Thailand, state marketing, flexible export duties and multiple exchange rates (including a fluctuating rate) were applied in combination during 1947-1954, but only flexible export duties and a fluctuating exchange rate have been relied on since 1955. In Pakistan, flexible export duties, price stabilization schemes with *de facto* export subsidies, and a currency devaluation have been used—not all at the same time. In Indonesia, all the above-mentioned measures have been tried, in particular various systems of multiple exchange rates, and also a *de facto* fluctuating rate at the present.

The simultaneous application of several measures has not always appeared to be the result of any well-conceived plan. Sometimes, the application of one measure might create difficulties at other points of the economy and thus necessitate the adoption of other measures. This would seem to have been especially true of multiple exchange rate systems, and to some extent also of state marketing monopolies in cases where control over the buying and selling of a commodity was not very effective. In some countries, the stabilization (and control) measures could probably be simplified or integrated without much loss of the stabilization effect.

All of the major short-run stabilization measures mentioned operate through the price mechanism, and produce both price and income effects in several segments of the economy—government finance, private money income, the general level of prices and the balance of payments.

Price relations

So far as export duties are concerned, their effects throughout the economy depend largely on how the burden is distributed between the producer, the exporter and the foreign buyer. Unless it monopolizes the world market, an exporting country can hardly pass the burden of the export duty to the foreigner. It is therefore likely that the export duties here under consideration are largely borne by the exporting countries. Thus, variations of rates of export duty do not appear to affect the prices of these export commodities on world markets. It might be possible during periods of particularly strong world demand to shift a part of the burden of export duties abroad, but, in that case, since the foreign buyer is willing to pay higher prices, export duties will at least not be a hindrance to exports. Thus, on the whole, export duties seem to have no appreciable effects—either negative or positive —on the export proceeds of the primary producing countries of the region. They do, however, tend to reduce the income available for imports and thus indirectly support the balance of payments, as explained below.

If the exporting country cannot pass the burden of the export duty to the foreign buyer, this burden must be distributed inside the country between the exporter and the producer.[1] During an export boom, it represents the transfer of excess profits from the private sector to the government.[2] Since money income in the private sector is prevented from increasing to the full extent indicated by the export boom, private import demand also tends to be lower than otherwise. Thus, provided the Government does not spend all the increased revenue gained from the boom and so restore the import demand, the country tends to accumulate foreign exchange reserves.

Multiple exchange rates are essentially a system of taxes and subsidies. So far as the export side is concern ed, the primary exporting countries of the region making use of this device have generally applied penalty rates to major export comomdities. Thus, these rates have in fact been equivalent to *ad valorem* export duties. Multiple exchange rates have, it would seem, been adopted instead of export duties not only because of the control they provide on the import side as well. They also, it has been argued, tend to encounter less objection from producers and traders (since their effects are less conspicuous).

In the case of price stabilization and state marketing schemes, the most important price policy aspect is the relation between the internal procurement price and the export price. Pakistan's price support schemes operated largely during the phase of declining export prices, when the internal procurement prices of cotton and jute were consistently higher than the corresponding export prices. Thailand's rice mono-

[1] The Taxation Commission of Ceylon came to the general conclusion that in Ceylon "it is broadly correct to state that except under very special circumstance, the burden of export duties falls substantially on producers"; "the exporter would appear to be better placed than producers, for holding capacity is strictly limited in the case of agricultural crops". If this is true for Ceylon as well as for other primary exporting countries of the region, then producer prices of export commodities will be substantially lower than export prices in cases where export duties are applied.

[2] Export duties are usually regarded as regressive, and detrimental to marginal producers (with moreover a long time-lag between the change in price and collection of the tax), and hence are commonly held to be less desirable than an income tax. However, they undoubtedly have the advantage of being much easier to collect than income taxes, especially in the primary producing countries. As to whether they are regressive or not, evidence is still not conclusive. The Ceylon Taxation Commission considered that the burden of export duties in Ceylon falls principally on those in the highest income group, and that the incidence of export duties over the community as a whole is probably progressive. *Ibid.*, p.276.

poly, on the other hand, operated largely during the period of high export prices when the internal procurement prices were consistently below the export prices at "effective export exchange rates". Burma's rice monopoly worked during both the rising and falling phases of export prices, but the procurement prices were at all times appreciably below the export prices. The intermediate cases are those of China (Taiwan)'s sugar and Indonesia's copra, for which the internal procurement prices were generally lower, but sometimes higher, than export prices.

The relation between internal procurement prices and export prices determines, among other things, the position of government finance, which has a close bearing on the success or failure of the schemes. The Government of Pakistan's financial losses were substantial and the minimum jute and cotton prices had to be reduced, so that the sense of "support" was weakened. Moreover, these schemes appear to have had a doubly unfavourable effect on the balance of payments. On the export side, "the prices offered internally were out of tune with international prices, exports were unduly restricted"; on the import side, "internal incomes have been sustained and saved from a corresponding fall so that the pressure on imports has not been sufficiently eased".[1] Pakistan's experience here affords an example of how difficult it is for an export economy, in the face of a sudden and large fall in world demand, to maintain both a stable income and an equilibrium in its balance of payments.

Price support devices can, however, be successful if surplus funds have been accumulated by keeping procurement prices low during an earlier period of high export prices. The surplus funds thus accumulated can then be used to subsidize exports during the export price slump, and keep internal prices and the money income of producers relatively stable in spite of the instability of export prices. The balance of payments should not encounter serious difficulties either. During the period of high export prices and low procurement prices, money incomes have not been inflated and hence imports have not increased to the extent that would otherwise have occurred. Later, the foreign exchange so accumulated can be used to cushion the extra import demand generated by the support given to prices and incomes.

An outstanding feature of the export monopoly in rice in both Burma and Thailand has been the consistent underpayment of producers in relation to world market prices of rice. The cutting off of producer prices of rice from export prices—a severance that has been complete in the case of Burma and largely so in the case of Thailand—has meant that rice prices have been more isolated from world market trends and fluctuations than those of any other crops. The procurement prices for paddy in Burma and those for rice in Thailand have been fixed low enough so that the need for revisions has been generally avoided. The awkward situation of export prices falling below the procurement prices has not arisen, even in the buyer's market in rice which started in 1953. Stabilization of the price of rice to the consumer has also resulted in keeping the cost of living fairly steady, and has tended to keep money wage levels low and thereby facilitated industrial development and capital formation.

However, it is quite likely that producer incentives have been impaired, as far as paddy cultivators are concerned, by the low level of the procurement price. Thus, these schemes may well have tended to hold back recovery and increased paddy production, at a time when more rice was desperately needed to feed the world's consumers.

In China (Taiwan), the attempt in 1950-1953 to peg the price of sugar to the price of rice appears to have been impractical. Not only did the sugar price fluctuate with world sugar markets beyond Taiwan's control, but also the domestic price of rice itself was subject to continual variations (partly in response to the world market) in spite of the Government's market stabilization scheme. However, except in 1953 when the rice-sugar price ratio rose considerably, the sugar monopoly in Taiwan seems to have had an appreciable internal stabilizing effect.

There is no easy solution of the practical problem of making commodity stabilization scheme work both ways, keeping domestic prices low during the export boom and supporting them at reasonable levels during the export slump. It is difficult to forecast price trends accurately, and even more difficult to forecast the price fluctuations and the length of time that prices will rise and fall. If low prices last too long, any surplus funds accumulated may easily be wiped out and the stabilization scheme endangered. This danger —together with the revenue needs of governments— no doubt helps to explain why in the past the procurement prices have usually been on the low side under most of the commodity stabilization schemes.

Income effect

So far as their income effects are concerned, multiple exchange rates and state marketing monopolies are similar to export duties (or subsidies). In contrast, fluctuating exchange rates and one-time currency appreciations or devaluations, although having effects on private incomes, produce no revenue for the government.

[1] Speech delivered by Mr. Zahid Husain, Governor, State Bank of Pakistan, on 20 September 1952, on the occasion of the Fourth Annual General Meeting of the Bank.

The payments of the rice export monopoly into the public treasury in Burma, in earlier years, took the form of an outright contribution to general government revenues out of its profits. Since 1953/54, the various state boards and corporations have paid, partly as outright contribution and partly as income tax, a rate of 50 per cent, about 95 per cent of the total coming from the rice export monopoly (SAMB). The contribution, and subsequently the direct taxes, paid to the government by public corporations in Burma accounted for as much as 50 per cent of total government receipts between 1952/53 and 1954/55. After 1955/56, however, they fell off by two-thirds, mainly because of depressed rice export prices, and provided only about one-fourth of total government receipts. The rice export monopoly has acted essentially as a specific export tax with rates varying according to export prices, and the high rates of this "disguised" tax have resulted in a high rate of government savings and capital formation in the Burmese economy (see tables 69 and 70).

In Thailand, profits from the government rice monopoly accounted for only one part of the Government's receipts from rice exports, the other two parts being the exchange profits realized by the Bank of Thailand and the rice export premiums contributed to the general budget. The profit of the Rice Bureau together with the export premiums[1] accounted for about 8 per cent of total government receipts during 1950-1954, while the exchange profits, which were not included in the government budget, were equal to about 15 per cent of the total government budget revenue during the same period.

The sugar export monopoly in China (Taiwan) yields no obvious profit revenue to the Government, as the Corporation has to surrender its foreign exchange proceeds from sugar exports to the Bank of Taiwan at a less favourable rate of exchange for local currency than is given all other exports.[2] At times the Corporation has had to borrow from the Bank of Taiwan at a low rate of interest to alleviate its financial difficulties.[3] (Compare the export price of sugar in local currency converted at effective exchange rates with the contracted sugar price in chart 18). However, while the Government does not gain apparent revenue from the sugar export monopoly, it benefits from the exchange profits earned by the Bank of Taiwan. The Bank buys foreign exchange from the Corporation at penalty rates and sells it to importers at higher rates, in terms of local currency. The resulting exchange profit of the Bank accrues to the Government.[4] Such exchange profits from sugar and other exports amounted to about 10 per cent of total government revenue in 1952-1953, but less than 5 per cent in 1955-1956.

The funds collected by governments or central banks from state marketing and multiple exchange rate schemes tend, like those accruing from export duties, to have anti-inflationary effects and consequently to prevent imports from expanding, provided the funds are not entirely expended. The control of these funds thus forms one aspect of anti-cyclical fiscal policy. Control is more difficult if these funds are pooled in the general budget than if they are set aside separately. Setting them aside, however, does not assure that they will be used to achieve a particular economic objective. In Thailand, for example, the exchange profits have accrued to the Bank of Thailand as a Stabilization Fund, but no definite rules governing their use for anti-cyclical or developmental purposes appear to have been laid down. A unique example of a fund of this kind operated for anti-inflationary purposes is the anti-inflationary cess on rubber exports in the Federation of Malaya noted earlier. This contributed appreciably to the reduction of inflationary pressure during the rubber boom in 1955.

The Government of Ceylon seems to be consciously using budget policy for compensatory purposes. Judging by the budget statements and other indications, counter-cyclical activity is an integral part of government policy. Thus, surpluses were budgeted in the years 1953-1955 to that end, following which deficits were planned. The Korean boom period, and again the tea boom in 1954 and 1955, helped build up Ceylon's international exchange reserves and create government surpluses. The successful execution of such a policy, however, requires a rather accurate economic forecasting service. It might be desirable and feasible for countries which apply flexible taxes of various forms on exports to appropriate a more or less fixed total amount of the revenues thus collected for meeting current government expenditures, and to set aside part of the rest (above what may be necessary for supporting incomes of the producers of the export commodities during export depression) in a special development fund. This fund could then also be used to counteract fluctuations as far as possible. By this arrangement, the two objectives of stability and development might be more effectively harmonized.

[1] Separate figures are not available.

[2] Except rice, for the surrendered exchange proceeds of which local currency is paid by the Bank at the same rate as for sugar.

[3] However, the Corporation has succeeded in increasing the productivity of land by introducing and extending the planting of a new hybrid variety of cane, helping the farmer to use more chemical fertilizer, etc. It has also improved sugar processing operations and made full use of by-products.

[4] A comparison of the sugar export price in terms of import rates and the effective export rate indicates the extent of such exchange profits per ton of sugar (see chart 18).

DIVERSIFICATION

The various national stabilization measures considered above aim at cushioning the impact of export instability on the internal economy. To reduce the export instability itself is another matter. As has been seen, international measures of commodity stabilization may have that effect. It remains to be noted that the primary exporting countries themselves can also gradually reduce export vulnerability by diversifying their production and trade and thus becoming less dependent on a narrow range of export commodities.

The production of a wider range of commodities tends to reduce the importance of traditional exports proportionally, and may also reduce it absolutely if a part of the raw material formerly exported is utilized by newly developed domestic industries, or a part of the land formerly used to grow export crops is used for food or other crops for domestic consumption. Diversification of exports and imports is thus based on diversification of production within agriculture and by industrialization.

Basic changes in the production pattern usually take a long time to materialize. However, most primary exporting countries of the region have recognized that diversification is needed, as a long-run measure to achieve greater economic stability, if not for other reasons as well (in particular, that it increases employment) and have made it one of the major objectives of their economic policy and their economic development plans. Thus, the five-year economic and social development programme of the Philippines (1956/57-1960/61) emphasizes the need for the diversification of agriculture and of the economy as a whole. Several other primary producing countries aim in the near future at diversification of agriculture. For example, the two-year equipment plan of Cambodia presupposes that, in the long run, the country can profitably develop the cultivation of certain crops, such as tobacco, pepper and maize. The development plan of Sarawak (1955-1960) devotes particular attention to the expansion of pepper and timber production, and the five-year plan (1954-1958) of Brunei stresses the development of the rubber industry. In North Borneo, the government pays great attention to increasing the production of timber and, to a lesser extent, of hemp and cocoa. Several other countries emphasize industrial development as a means toward diversification. Ceylon's six-year programme of investment (1954/55-1959/60) for example, emphasizes specifically the need for industrial development and increased employment.[1] The first and second four-year plans (1953-1956 and 1957-1960) of China (Taiwan) stress the importance of producing manufactured articles to compete with and replace imported goods. It is expected that the share of sugar and rice in the value of total exports will be reduced from 68 per cent in 1956 to 58 per cent in 1960. In Pakistan, the five-year plan (1956-1960) emphasizes not export diversification but the production of substitutes for imports.

Compared with the hopes expressed by most primary exporting countries of the region, actual progress in diversification during the postwar period appears to have been rather limited, barring some export market diversification in Pakistan and the Philippines not aimed primarily at reducing export instability. In order to reduce its dependence on the United States market, the Philippines is gradually giving up its traditional free trade arrangements with the United States over the period 1954-1972. New markets have been cultivated in Europe for the export of coconut and in Japan for timber, logs and base metals. In 1956, for the first time since the Second World War, trade with the United States constituted less than 60 per cent of the country's total trade value. In Pakistan, the decision in 1949 not to devalue its currency (when India devalued its rupee along with other sterling area currencies), and the subsequent trade deadlock with India, hastened Pakistan's move away from Indian markets. Pakistan also established its own jute mills, and raw jute exports to India were greatly reduced. By the end of 1956, trade with India constituted less than 7 per cent of Pakistan's trade, as compared with 34 per cent in 1947.

It appears that, so far as the reduction of export instability is concerned, diversification of markets is probably less important than diversification of the commodity pattern of exports. Diversification of export markets may contribute to stability if the major trading partners are not subject to simultaneous fluctuations in their import demand. In this case of the Philippines, however, the gradual reduction of quotas on the export of sugar and other commodities to the United States may subject Philippine exports of sugar and other commodities to greater fluctuations in the future. Speaking more generally, it would seem that the demand for primary commodities in the various importing countries often changes more or less similarly and simultaneously.

The export commodity pattern of the primary exporting countries of the region, however, as this is reflected in the proportion of major export commodi-

[1]The interim report of the National Planning Council set forth as one of its basic goals of economic development, "to alter the srtuctural pattern of the economy and to remove instability". The Finance Minister also emphasized the economic importance of diversification: "Any economic planning for Ceylon would amount to nothing if we do not consider the problem of stabilizing our fortunes of trading, important among which are steps which we have to take to widen our markets and to diversify our economy". *Budget Speech 1956-57*, p.2.

ties to total export value, has shown no very marked changes during the postwar period. Variations in proportions have been largely in direct response to shifts in the prices of these major commodities on the world markets. In Indonesia, for example, "the concentration on a few exports is now more marked today than ever before".[1]

A first step for the primary exporting countries in diversifying exports appears to be to develop the processing and semi-processing of raw materials and to increase the export share of processed goods. For instance, the development of the oilseed crushing industry will tend to increase the exports of coconut oil at the expense of copra; and the development of the tanning industry, to increase the exports of tanned hides at the expense of raw hides. A notable example is the development of the cotton and jute textile industries in Pakistan, which resulted in a substantial reduction in imports and an increase in exports of cotton and jute manufactured goods after 1954. Exports of raw cotton were also greatly reduced after 1954 (see table 72).

Table 72. Pakistan: Exports and Imports of Raw Jute, Raw Cotton and Jute and Cotton Manufactured Goods, 1952-1957[a]

A. Jute and jute manufactured goods

Period	Export of raw jute (in thousand tons)	Export of gunny cloth (in million metres)	Export of gunny bags (in million units)	Import of gunny bags (in million units)
1952	841	0.2	—	13.0
1953	982	5.1	0.3	0.9
1954	892	9.0	2.9	—
1955	982	42.8	40.5	—
1956	859	88.7	47.0	—
1957, first half	421	...	...	...

B. Cotton and cotton manufactured goods

Period	Export of raw cotton (in thousand tons)	Export of cotton twist and yarn (in thousand tons)	Import of cotton yarn (in thousand tons)	Import of cotton piece-goods (in million metres)
1952	246	—	30.5	322
1953	282	—	8.9	14
1954	142	—	5.4	35
1955	168	1.9	1.6	27
1956	132	12.6	1.2	41
1957, first half	83	27.1	0.4	2

Source: United Nations, *Yearbook of International Trade, 1956* (Sales number: 1957, XVII.6 Vol.1) and *Statistical Bulletin of Pakistan,* July 1957.

[a] For imports, except for the first half of 1957, figures exclude landborne trade and trade on government account. For exports except for 1956, figures exclude trade on government account; exports on government account of the commodities listed were negligible in the first half of 1957.

[1] Benjamin Higgins, *op.cit.,* p.xii.

Developments along these lines add value to the raw materials in the internal economy, and may also save transportation costs for foreign importers[2] by reducing the weight and volume of the exported products. However, since the world demand for raw materials changes in most cases in line with the demand for their respective processed goods, the development of processing industries does not usually help very much to reduce export instability.

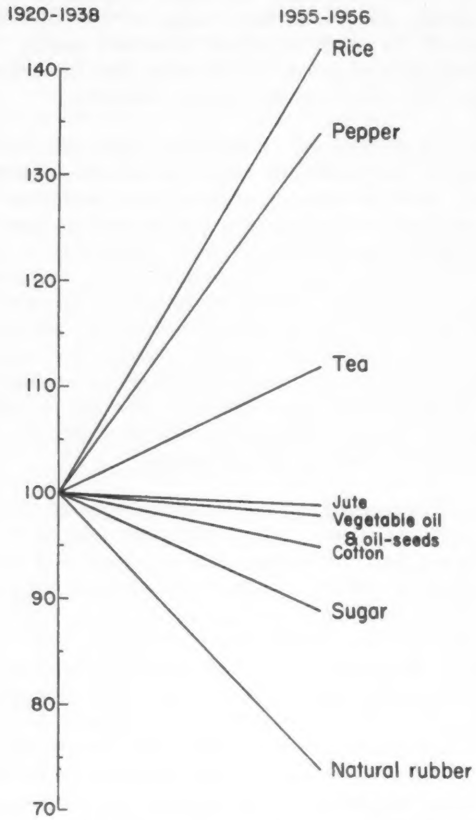
The development of exports in fields other than those of the traditional export commodities, on the other hand, is not easy, since efficient production is conditioned by the resource pattern and the size of the market in the country, and competition in the world markets is keen. Where soil, climate and other aspects of natural resources are suitable for producing certain primary commodities, a country may be better off with a comparatively high, even though fluctuating, level of real income, obtained through concentration on those particular promising lines, than with a stable but low income, obtained through diversification in disregard of comparative advantages.

This, however, is to state the problem of choice in an extreme form. From a long-run point of view, it is not certain that the future of all primary commodities is bright. Technological innovations and increased productivity and output in the agricultural sectors of the industrialized importing countries (partly the result of a desire for self-sufficiency in agricultural products) have been developing continuously.[3] The demand trends for primary exports may not be able to keep pace with the growth of world trade, or to provide adequate incomes for the growing populations of the primary exporting countries of the region. In fact, the average unit values of exports in real terms of natural rubber, sugar and cotton in 1955-1956 were below the levels in 1920-1938, and those of vegetable oils and oilseeds and jute were barely at the earlier levels. Among important primary exports of the region, only rice and tea brought higher prices. Moreover, the share of exports from ECAFE countries in the world total in 1955-1956 was lower than the 1934-1938 levels for rubber, sugar, vegetable oil and oilseeds, rice and cotton, barely maintained for tea and pepper, and among agricultural products, increased only for jute. (See charts 19 and 20). It is therefore natural and necessary for the primary exporting countries of the region to seek new lines of development.

[2] The importers of processed goods may differ from the importers of raw materials.

[3] "Agricultural development and planning in countries of Asia and the Far East", United Nations, *Economic Bulletin for Asia and the Far East,* November 1957, p.41.

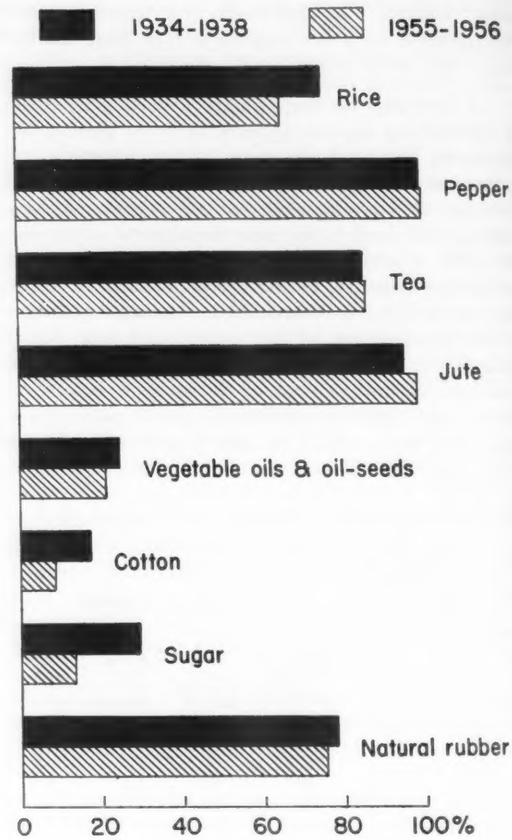
Chart 19. Indexes of Average Unit Value of World Exports in Real Terms[a] for Selected Agricultural Commodities, 1955-1956
(1920-1938=100)



[a] Current unit values deflated by United Nations index of average unit value of all products entering international trade.

Source: "Agricultural development and planning in countries of Asia and the Far East", United Nations, *Economic Bulletin for Asia and the Far East, November 1957, p.42.*

Chart 20. ECAFE Countries: Export as Percentage of World Exports in Selected Agricultural Commodities, 1934-1938 and 1955-1956



Admittedly it is economical to follow the principle of comparative advantages. In practice, however, the long-run position of comparative advantages is never accurately known to an under-developed country. In this connexion it is of paramount importance to make comprehensive resource surveys in order to determine more precisely the characteristics of a more diversified and at the same time actually or potentially profitable line of development. Morevore, technological research for adaptation and training in new skills in primary exporting countries of the region may also be expected to change the present position of comparative advantages.

SUMMARY

Because of the magnitude of exports in relation to the gross domestic product of most primary exporting countries of the region, fluctuations in export earnings tend to have a very considerable impact not merely on their balance of payments but on the internal economy as well. This has been shown by their postwar experience, although some relief was afforded in some cases by recent international stabilization measures.

A large increase in foreign demand for domestic products tends to enlarge the export industries' profits which become the primary force for subsequent economic expansion throughout the economy. Wages usually increase far less, except where flexible wage systems exist (as in the Federation of Malaya) or where the trade unions are strong. If the government allows the increased purchasing power to be used and to exert its multiplier effects, the result is an abrupt

increase in the volume of consumption (of both domestic and imported goods and services), or higher prices, or both. Gains which might have been used for development will therefore be largely "wasted", and adjustment to the subsequent export decline becomes rather difficult.

Since, in most primary exporting countries, customs duties and other charges on exports provide the largest share of the government's revenue, an export decline tends furthermore to create serious difficulties for the budget. When governments have tried to maintain their level of expenditure in spite of an export decline, they have often also aggravated their balance of payments difficulties by helping to perpetuate a high level of imports or, if they tightened import controls, they have contributed to inflationary problems by feeding the pressure of domestic demand. They have usually, then, had to cut down their total, and their developmental, expenditures.

To cope with these related problems, many primary exporting countries of the region have adopted national stabilization measures, ranging from the direct establishment of a state marketing monopoly to indirect means such as flexible export duties or complicated systems of exchange rate manipulation. In some cases, several measures have been applied simultaneously in a rather haphazard manner which have tended to create new difficulties. However, experience appears to show that the export-generated instability of the economy and that of the government's budget can be considerably reduced by a well planned "anti-cyclical" policy involving taxes and expenditures, imports, foreign exchange and the administration of international reserves. Such policies will have a considerable influence on the division between consumption and saving on the one hand, and on the use of savings for capital formation and for foreign exchange reserve accumulation on the other. In the face of fluctuating exports, appropriate national stabilization measures will enable a primary exporting country to achieve a higher and steadier rate of capital formation than would otherwise be possible.

The primary exporting countries of the region have in general recognized that they can gradually reduce their vulnerability to export fluctuations by diversifying their production and trade. Actual progress in this direction during the postwar decade appears, however, to have been limited. Basic changes in a country's production pattern usually takes a long time to materialize. Undoubtedly, comprehensive resource surveys, technological advances and adaptations and training in new skills will help to indicate more precisely the actual and potential lines of development in accord with comparative advantages.

Chapter 7

REHABILITATION AND RECONSTRUCTION
(Southern Korea and Southern Viet-Nam)

INTRODUCTION

Many countries of Asia were involved, directly or indirectly, in the Second World War, and their normal economic activities—even where they were not disrupted—underwent basic changes to meet the demands of war. Some—like Burma, China, Indonesia, Japan and the Philippines—sustained heavy physical damage and destruction as a result of fighting. India, though not the scene of hostilities, geared its productive machinery to supplying materials and services to the British army in the field. Various other areas were affected in lesser degree.

In two countries — Korea and Viet-Nam — the situation had a special character because the fighting after the end of the Second World War not only postponed the possibility of economic recovery but led to national partition.[1] In both cases, a northern portion and a southern portion, which had always been complementary in resources and goods, were forcibly split apart. In both cases, the resettlement of refugees on a major scale, generally from north to south, complicated the difficult problems of rehabilitation and reconstruction. In the ECAFE region, southern Korea and southern Viet-Nam offer illustrations of postwar recovery (as distinct from economic development). While there are major analogies between them, there are also marked differences both in the problems, and in the means adopted for their solution.

The division of Korea at the 38th parallel, by the armistice agreement signed on 27 July 1953, placed a population of over 21 million and an area of 93,600 square kilometres under the Republic of Korea to the south. In accordance with the Geneva Accord signed on 20 July 1954, Viet-Nam was divided into north and south by a boundary line formed by the 17th parallel. Through a referendum, the Republic of Viet-Nam was then promulgated on 26 October 1955, and a separate constitution was adopted in July 1956. Southern Viet-Nam now has a population of about 12 million and an area of about 170,000 square kilometres. There are thus 228 persons per square kilometre in southern Korea as against only 70 in southern Viet-Nam. In other words, southern Korea has a far higher density of population.[2]

Under Japanese rule, extending from 1910 to the end of the war in 1945, Korea had developed a considerable industrial base, mainly in the north. The southern section, although the scene of some industrial activity, was largely dependent on agriculture. It was ill prepared to receive and resettle the large number of refugees who crossed over from the north as a result of the outbreak of war in June 1950 (which even then resulted in the virtual partition of the country into north and south). Viet-Nam, which had been under French rule except during the wartime Japanese occupation, developed as a colony in which the main emphasis was on agriculture. In that country, too, agriculture was especially the mainstay of the southern part. The effects of the partition of Viet-Nam in July 1954 were therefore felt acutely in the south.

The nature of the conflict differed as between the two countries. In Korea, there was a shooting war, confined to a relatively short period of a year but devastating in its effects on the economy and the uprooted population. In Viet-Nam, hostilities took the form in the main of guerilla warfare, spread over a period of about fifteen years and gradually disrupting the economic and social structure. Naturally then, the problems of rehabilitation and reconstruction differed considerably. The shooting war destroyed the industrial facilities in southern Korea and left in its wake serious problems of rebuilding and rehabilitation, to which were added those of receiving and resettling refugees from the north. The visible effects of guerilla war in southern Viet-Nam were largely confined to the movements of population from the countryside to cities in search of security, a process in which much of the cultivable land was abandoned, with a consequent reduction in agricultural output. Here again, however, the resettlement of refugees from across the border complicated rehabilitation.

REFUGEE RESETTLEMENT

The most immediate problem after the cessation of hostilities in both countries was that of the resettlement of the large number of refugees coming

[1] The partition of British India into two independent states in 1947 differed in that the decision was taken on political rather than military grounds.

[2] The density of population in southern Korea is almost three times as great as in northern Korea, whereas southern Viet-Nam is somewhat less heavily populated than northern Viet-Nam.

from across the border. The basic absorptive capacity of the economy was limited in both cases by the preponderance of agriculture, which moreover had seen its output decline as a consequence of the war. In southern Korea, the refugees found an almost totally destroyed economy, which was already suffering from population pressure. Southern Viet-Nam, though it had large areas of cultivable land available and a comparatively low rate of population growth, also found the satisfactory resettlement of refugees difficult in an overwhelmingly agricultural economy with a reduced productive capacity.

The immigration of refugees in the initial period was largely directed towards the urban areas, which had already witnessed a large influx from the countryside in search of employment and security. Conditions were particularly bad in southern Viet-Nam, where protracted guerilla warfare had created uncertainty and insecurity over wide areas. This drive towards the cities — especially the capital — by increasing the pressure on urban areas, aggravated unemployment and ill health and bad sanitation.

It is estimated that the number of refugees into southern Viet-Nam was about 8 per cent of the then existing total population of 11 million. This movement of 900,000 refugees took place in less than a year between the signing of the Geneva agreement, in July 1954, and the final evacuation of the French troops from the area north of the 17th parallel in May 1955. Southern Korea received 1.5 million refugees from the north upon the outbreak of war in June 1950.[1] The sudden arrival in southern Korea of the equivalent of 7 per cent of the total population immediately on the outbreak of war was an even more devastating experience than the flood of refugees in southern Viet-Nam, which was spaced out over a period of a year and was effected under the umbrella of the armistice. Resettlement therefore created far more serious complications in the former case. The pressure caused in both countries by the refugees and by internal shifts in population from country to town may be illustrated by the increase in population of Pusan—the wartime capital of southern Korea—from 400,000 to 1,200,000 and that of Saigon—the capital of southern Viet-Nam—from 500,000 before the war to 1,900,000 in 1956. A shift away from the cities is recognized as desirable, particularly since most of the refugees are farmers who would be more usefully employed on land. Even the internal shifts in population, however, have brought large numbers of farm workers into the cities where they have not found useful employment. The refugee artisans and traders, however, have found a good market for their skills in urban areas.

[1] This is in addition to the 4.5 million people, or about 20 per cent of the total population, who had become refugees within the country during 1950-1951.

The immediate effects of providing relief to refugees have tended to be inflationary. Relief has required considerable expenditure by both Governments, and, by its very nature, this expenditure has had expansionary effects on demand and prices, particularly in conjunction with reduced productive capacity. The inflationary impact of this relief expenditure can be rather more clearly seen in southern Viet-Nam in 1955 and 1956 than in 1950 in southern Korea, where it coincided with increased expenditure for the war itself.

It is generally recognized that refugee immigration can in the long run contribute to the economic growth of these countries. For this, however, the permanent settlement of refugees must be linked with the broader question of the reconstruction of the war-torn economies and of the provision of increased employment. It is bound to take time to plan an integrated development that will increase agricultural and industrial activity and productivity, whereas the resettlement of refugees requires immediate attention. The abandoned lands in both countries have had to be quickly restored to the plough by either the original farmers (who may have emigrated to the cities) or else by refugee farmers. Since the first task is to increase agricultural output, it was important that new land, too, should be cultivated, and a large number of refugees have in fact been resettled on the land.

The emergency situation arising out of the refugee influx in southern Korea was tackled by the Government of the Republic of Korea and by the United Nations Civil Assistance Command. Immediate relief was provided in the form of food, clothing and shelter. In order to safeguard the health of the refugees, large immunization and de-lousing programmes were carried out; drugs were supplied in large quantities and water supplies and hospitals were partially restored. From October 1951 to October 1952, over 8 million people were vaccinated against smallpox, over 9 million against typhus, 4 million against typhoid and nearly one million against cholera. During this period, the Civil Assistance Command was running more than 500 dispensaries and hospitals with a capacity of over 10,000 beds. The problem of permanent settlement of refugees has, however, not been fully solved in southern Korea. During 1952-1956, a total of 136,610 families with 693,050 persons are reported to have been resettled, but more than 800,000 persons still remained to be resettled at the end of 1956.

In southern Viet-Nam, also, efforts were initially directed towards the provision of transport and emergency relief to the incoming refugees and towards their subsequent maintenance and care in refugee centres. Until mid-1955, efforts were concentrated on

the reception of refugees. Plans for their permanent settlement were still being worked out. Settlement was handicapped to start with, by the unfortunate choice of sites, which proved to be either economically unsound or exposed to enemy incursions. By the end of 1956, however, it appears that more than half a million refugees had been resettled, for the most part on land in the southern parts of the country. The artisans amongst the refugees were resettled in urban areas and have contributed considerably towards rehabilitating the handicraft industries of southern Viet-Nam. As in southern Korea, a considerable proportion of the refugee population was still awaiting permanent resettlement at the end of 1956. Efforts have continued, and it is believed that the number of unsettled refugees was further reduced in both countries during 1957.

REHABILITATION AND RECONSTRUCTION OF THE PRODUCTIVE SYSTEM

Economic destruction

The basic economic overheads suffered the largest war damage, and a heavy strain was therefore placed on production, which fell sharply. Transport facilities were either destroyed outright or depleted for want of maintenance and repair. In southern Korea, railways—a natural target for enemy bombardment—suffered heavily. It is estimated that, in addition to damage of various kinds, about 7.5 per cent of the track and 13 per cent of the bridges were completely destroyed, and the loss of locomotives and rolling stock was considerably higher. Road transport was also badly hit. The majority of the motor vehicles were destroyed.

In southern Viet-Nam, the situation in the field of transport was somewhat different because of the predominant role played by inland waterway transport in the movement of goods, mainly paddy and rice. Southern Viet-Nam has an extensive network of navigable canals and natural navigable waterways with a total length of 4,600 kilometres. These waterways are used for navigation as well as for drainage and sometimes, during dry periods, water is taken from them for irrigation purposes. Some canals and sections of canals do require maintenance dredging, and the lack of such dredging over a period of about ten years, together with the damming of certain waterways by insurgents, caused severe silting up which put some connexions out of commission and, in others, imposed serious limitations on the draught of vessels. The inland waterway fleet also suffered severely. It is estimated that, of the fleet of country boats or junks, which formed the backbone of the country's waterway transport equipment, about half were sunk or destroyed.

The loss of railway track in southern Viet-Nam was almost one-third of the prewar total, while the road system, because of neglect of maintenance and repair, was largely rendered unusable.

The serious deterioration of the waterway system in southern Viet-Nam and the large-scale destruction of the rail and road system in both southern Korea and southern Viet-Nam created bottlenecks in the movement of goods and severely curtailed trade and commerce.

Agricultural productivity, which had already suffered from the abandonment of land by farmers, declined as a result of the serious damage to drainage and irrigation canals in both countries.

The destruction and deterioration of the means of transport, the deterioration and silting up of canals and the voluntary exodus of productive population from villages to towns led to a drastic deterioration in the level of production in both economies. In southern Korea, the loss in production was smaller in the agricultural sector than in manufacturing and mining. Productive capacity in manufacturing and mining was hard hit by the substantial drop (51 per cent) in power supply. Coal mining suffered a loss of 85 per cent, while cotton textiles, the largest single manufacturing industry in southern Korea, lost an estimated 76 per cent of its spindles and 81 per cent of its looms. Agricultural production did not suffer markedly in the war year, because the rice-harvesting season was not affected. In 1951 and 1952, however, production declined owing to bad weather, depletion of irrigation works and inadequate supply of fertilizers.

In southern Viet-Nam, because of the prolonged guerilla warfare, losses in the agricultural sector were far more visible. It is estimated that production of cane sugar, cotton and rice was particularly affected. Rice exports, which exceeded a million tons (half to the north and half abroad) in the prewar period, dwindled to a mere trickle. Timber production decreased by almost one-third; other forest products, by more than four-fifths. The significant prewar volume of fish exports practically disappeared after 1954.

Structural changes in the distribution of population and the allocation of resources brought about by war and partition have disrupted the traditional production patterns of both countries. Before the war, the urban population was comparatively small, the economies overwhelmingly agrarian and largely static. Even southern Korea, though it had a modest industrial sector, remained dependent on agriculture. The wartime trend towards urbanization was fortified by the enormous military expenditure, generally

directed towards trade and service activities in urban areas. With the return of more normal conditions after the end of hostilities, the added pressure of rural population in urban areas has become more acute, greatly accentuating unemployment. Since the farmers lack some of the education, training and skill required for manning urban services, their retention in the urban fabric makes it more difficult to obtain increased national productivity through the full and discriminating utilization of manpower.

The second major structural change has been the loss of complementary exchanges between south and north in both Korea and Viet-Nam. Under Japanese rule, Korea developed as a single economic entity. Production was distributed throughout the country in the light of the local resources available. The north had large reserves of minerals, power and coal, and in order to utilize those natural resources, heavy industries were set up nearby. The south, on the other hand, concentrated on agriculture and on the production of a few consumer goods industries. As a result of partition, the south lost its traditional sources of power supply and its markets for agricultural surpluses. The complementary relation was broken, and southern Korea was forced to look in other directions, beyond its political frontiers. Southern Viet-Nam was faced with a similar situation. The rice producing and exporting regions formed part of that territory, while manufacturing and mining facilities were in the north. In prewar years, the textile industry in the north supplied one-half of Indochina's cloth and yarn requirements and about 50 per cent of the north's cement output and 20 per cent of its coal went to the south.

Thus, apart from the destruction of basic overheads and other facilities, rehabilitation and reconstruction have in both countries had to cope with the added problems of rapid urbanization, unaccompanied by an increase in employment opportunities, and of the loss of the complementary trade between the north and the south.

Reconstruction of basic overhead facilities

In view of the enormous damage inflicted on the productive capacity, complete rehabilitation and reconstruction will require considerable time. In the short period since the end of the war—very short in the case of southern Viet-Nam—efforts have been directed towards filling the worst gaps in production and towards reconstructing basic overheads. Stress has been laid on restoring basic overheads to their prewar level since, in the final analysis, productive capacity depends on an efficient transport system, regular power for manufacturing industries, and adequate drainage supply to agriculture.

The restoration of the transport system in southern Korea was made possible through the supply by the United States Army of locomotives, cars, rails and bridge material and the provision by the United Nations Korean Reconstruction Agency (UNKRA) of materials for the repair of non-military part of transport. In terms of the average monthly volume of freight, there was a continued improvement from 162 million ton/kilometres in fiscal year 1954/55 to 187 and then 203 million ton/kilometres in fiscal year 1955/56 and the first half of fiscal year 1957 respectively. This improvement in the volume of freight moved was also due in part to the release of most of the transport facilities for civilian use as the restoration of more active commercial and trading conditions led to an increase in the demand by non-military sectors. The deficiencies caused by the loss, as early as August 1948, of the traditional power supply in the north were made up initially by the maximum use of the three existing thermal plants in the south and by the installation of two additional power barges supplied by the United States Army. During the war, the power plants were either destroyed or depleted owing to inadequate maintenance. Although this posed a major rehabilitation problem in the postwar period, by 1952 power generated equalled the 1949 production, and by the first half of 1957 the supply had almost doubled.

In southern Viet-Nam, considerable progress has been achieved in the rehabilitation and reconstruction of navigable waterways, roads, railways, irrigation works and other public works. It is reported that about ten million cubic metres of silt have been dredged from the canals, while hundreds of kilometres of roads and railway track have been repaired. However, in view of the immensity of the task, rehabilitation of basic overheads will not be completed for some time to come.

Recovery of agricultural production

Largely as a result of the rehabilitation of basic overheads, agricultural production has made significant gains in both southern Korea and southern Viet-Nam. The production of rice in southern Korea was expected to be higher in 1957 than in 1949. Owing, however, to the population increase (at a rate of around 1.5 per cent a year), the per capita production is lower, with the result that southern Korea, a net exporter of foodgrains in prewar times, is now a net importer. The increased demand for rice has been met through imports financed largely with external aid. In the period from January 1950 through June 1957, rice imports constituted almost 36 per cent of total imports of goods classified as essential, and were valued at $366 million. The recovery of industrial crops has been relatively slow,

and output is still below the 1949 level. Raw (unginned) cotton production, at 49,000 tons in 1956, and tobacco production, at 26,200 tons in 1955, were only 59 per cent and 69 per cent of the 1949 level, respectively. The main limiting factors in agriculture in southern Korea have been unfavourable weather conditions during 1951, 1952 and 1956 and an inadequate supply of chemical fertilizers, especially in 1951 and 1952.

Agricultural production has recovered more rapidly in southern Viet-Nam owing to the restoration of security in the countryside, the re-cultivation of abandoned land and the tilling of new land by refugees from the north. In the case of several important crops—rice, rubber, tobacco, sugarcane and coffee—output has exceeded the 1939 level. However, production is still below prewar in the case of maize, tea, groundnuts, copra and cotton. There have been a number of factors holding up a speedy recovery of agricultural production to prewar levels. In the years preceding the Armistice most of the land was abandoned and livestock scattered. Fertility of land consequently deteriorated on account of its non-use. Recovery of production to full prewar levels is therefore linked with the overall question of the resettlement of abandoned land. Though significant gains appear to have been made in restoring abandoned land to cultivation, full rehabilitation of cultivable land has not yet been achieved.

One significant change in the agrarian economies of both countries has been the apparent elimination of the old emphasis on exports. Agricultural production seems now to be geared to domestic consumption, and more weight attached in the planning of agricultural production to saving foreign exchange than to earning. This change in pattern may possibly be due to the loss of the traditional markets in the north of both countries, and to the inflow of large amounts of goods provided under foreign aid which lessen the need to earn foreign exchange through the normal commercial channels. It is worth asking whether a basic weakness is not thereby being built into the economies of these countries if the trend continues. May not a natural advantage be lost if exchange earning capacity based on the expansion of agricultural exports is sacrificed? This capacity could help finance the development of a complementary industrial sector and thus provide greater long-term stability and greater, more diversified and more productive, employment. Such losses tend to be abiding even if it is subsequently decided to adopt another approach to economic development in these countries.

Recovery of industrial production

Industrial production has recovered rapidly in southern Korea, owing to the substantial rehabilitation of basic overheads. The progress of mining and manufacturing industry has been comparatively satisfactory. Mining is a major source of Korean exports, and, despite the severe damage inflicted by war, it has made a remarkable recovery. The more important mineral products include coal, tungsten, gold and graphite. By 1953, most mineral products, except coal and amorphous graphite, had attained the 1949 level of production. The index of mineral production, taking 1954 as equal to 100, rose to 115 in 1955, 146 in 1956 and 211 by July 1957. Further expansion of mining output will both save foreign exchange, by reducing the amount of fuel imports required, and (especially in the case of tungsten and gold) earn foreign exchange.

Manufacturing production, which formerly consisted mainly of consumer goods, dropped steeply after the outbreak of war. If 1949 is taken as equal to 100, 1950 production fell to 14 for cotton cloth, 16 for rubber shoes, 19 for paper and salt, 25 for laundry soap, 30 for cotton yarn, 31 for pottery and porcelain, 34 for bicycles, 38 for cigarettes, 43 for for woolen cloth, and 46 for electric bulbs. For all these and other items, 1949 levels of production were, however, re-attained during 1951-1954—laundry soap and cigarettes in 1951; paper, salt and cement in 1952; cotton yarn, woolen cloth, nails and bicycles in 1953; and cotton cloth, rubber shoes, rice rollers, pottery and porcelain, and light bulbs in 1954.

Progress has continued since. With 1954 as base, the manufacturing production index stood at 119 in 1955, 143 in 1956, and 211 in October 1957. Along with the rapid recovery and expansion of existing industries such as cotton textiles and cement, new industries—wheat flour, chemical fertilizers and plate glass—are being developed to meet the country's minimum requirements.

The number of cotton spindles fell from 300,291 in 1949 to 71,146 in 1951, but rose rapidly again, reaching 360,259 in 1955 and 434,232 in 1956. Cotton yarn production, on the basis of returns for the first half year, was expected in 1957 to treble the 1949 production of 13,000 tons. Surplus American cotton sold at below the market price helped to expand production beyond domestic requirements, and some export to Hong Kong took place in the second half of 1957, despite the fact that mills were not working at capacity. Cement production has more than doubled, rising from 24,000 tons in 1949 to an estimated 70,000 tons in 1957. This output comes exclusively from the single plant in Samchok. To help meet current requirements, which are estimated at 600,000 tons a year and may rise to one million tons by 1961, a new plant, with an annual capacity of 200,000 tons—the Mungyong Cement Plant construct-

ed under the UNKRA programme at a cost of $9 million—was scheduled to be completed by the end of September 1957.

Southern Korea makes great use of chemical fertilizers to maintain its agricultural productivity, particularly in the case of rice. Since it does not produce them, it is dependent on imports. In postwar years these have been financed largely by external aid, which has brought in 680,000 tons per year on the average between 1953/54 and 1956/57. A small beginning has, however, been made in producing chemical fertilizers in the country. Unfortunately, production requires considerable coal and power, in which southern Korea is deficient. The Chengju fertilizer plant, under construction with United States aid since 1955 and with an annual producing capacity of 85,000 tons of urea fertilizers (or 40,000 tons of elemental nitrogen), is expected to be completed by 1959. A second fertilizer plant is to be constructed with the same capacity as the first and financed by the same source.

Flat glass, an essential item for construction purposes, has hitherto had to be imported with southern Korea's own exchange resources. The quantity increased from 856,000 square metres in 1950 to 1,790,000 square metres in 1955. Now, however, a flat glass plant with an annual producing capacity of 1,115,000 square metres, regarded as sufficient to meet the country's normal requirements, has been constructed in Inchon with UNKRA funds. Operations were scheduled to start before the end of 1957. The present capacity of the plant can be increased by one-half if the need arises. Known local deposits of the chief raw materials—sand, limestone and feldspar—are considered ample for full-scale production over a thirty-year period.

In contrast to southern Korea, southern Viet-Nam has not yet re-established its more limited prewar industrial productivity, largely because the time available from the commencement of reconstruction work in mid-1956 has been too short to allow rehabilitation of the economic infrastructure to be completed. The withdrawal of large foreign military forces, and the consequent reduction in demand for the products of local beverage and service industries, has also tended to depress production. Other factors considered to have operated in the same direction are the direct or indirect competition to local manufacturers by the relatively large commercial import programme maintained to provide the Government with local currency under the foreign aid programme; and the withdrawal of foreign minorities from normal business, which has reduced the volume of private funds available for financing the operation and expansion of industrial establishments.

The net result has been that industrial production in southern Viet-Nam has tended to decline from year to year. In 1957, industrial activity appears, on balance, to have fallen off from the previous year. The beverages and chemical industries seem to have suffered most. Sugar producing capacity improved slightly, although sugar requirements are mostly met through imports. There has been progress in the small coal mining industry, and in the establishment of some new industries like cotton textiles, paper, glass, aluminium products, plastic goods and paints and varnishes.

CONTROL OF INFLATION

Southern Korea and southern Viet-Nam have experienced severe inflation almost continuously for over a decade and a half. The nature, magnitude and intensity of the inflationary pressure have, however, varied as between the two countries. In recent years, the situation has generally been more acute in southern Korea than in southern Viet-Nam.

The origins of inflation in both countries can be traced to the period of the Second World War. In southern Korea, wartime inflation was suppressed since severe price regulations and other direct controls were imposed by the Japanese. However, these controls broke down during the transition from Japanese rule to the United States Military Administration during 1945-1946. Open inflation has raged practically ever since, and has sometimes reached runaway proportions. A rise in the wholesale price index in Seoul of over 400 per cent in 1946 was repeated in 1951 during the Korean war. The rate of rise slowed down, however, during 1953-1956 to around 40 per cent per year, owing largely to an increased inflow of imports provided by foreign aid. In 1957, the wholesale price index in November rose by only 1.3 percent over the corresponding figure a year before.

In southern Viet-Nam, the lack of direct controls during the Second World War, when the procurement demand of the Japanese Army was considerable, resulted in a vastly increased money supply and rocketing prices. The cost of living index rose 23 times between 1939 and 1945. In the period from 1945 to 1948, the rate of rise slackened to less than 9 per cent a year as a consequence of the steady pace of reconstruction in a climate of a general political *détente*. With the split in the independence movement and the heightened military activity of the French (till the fall of Dien-Bien-Phu in 1954), a state of extreme insecurity prevailed in southern Viet-Nam and, as military expenditures mounted steadily, the cost of living climbed at an annual rate of around 15 per cent. In the more recent period of 1955-1956, refugee expenditures were superimposed on a high level of

military expenditures and continued to exert pressure on money supply and prices. The cost of living rose at a yearly rate of 10 per cent. However, since mid-1956 disinflationary pressures have become noticeable owing to greater security, a brisker pace of aid-financed imports and slackness in private business and investment at a time when public investment in reconstruction has not yet gained momentum. In 1957 the Government has taken new measures to combat inflation. Budgetary policy is being geared to increase tax revenues, to reduce expenditures and thus to achieve balanced budget. Besides, price control measures have also been tightened to protect consumers against rising prices.

The causes of the inflation may be sought both on the supply and the demand sides. On the supply side, the level of production of goods and services for domestic consumption has been held in check by several factors. In southern Viet-Nam, as noted above, the wartime damage and destruction of productive facilities, the abandonment of cultivation in the countryside and the diversion of manpower to trade, service and military activities created difficulties, and production costs thus rose faster than international prices. In these conditions, lack of control over the channels of distribution encouraged speculative activities whereby prices increased still faster than the costs of production, thus raising the profit margins of intermediaries.[1] In southern Korea, although reconstruction has gained some momentum since 1953, various supply bottlenecks still remain. Agricultural production, which has recovered to prewar levels but still falls short of population increase, continues to be unstable owing to weather fluctuations. The renovation and expansion of irrigation and drainage facilities needs to make further progress. Domestic consumer industries are handicapped by an inadequate supply of domestic raw materials, and continue to be heavily dependent on aid-financed imports, as the output of industrial crops has failed to recover to prewar levels. In addition, significant distortions have taken place in the cost-price structure of the economy.

It would appear too, that supply shortages—especially as measured against growth of population—have been aggravated by institutional factors, at least in southern Viet-Nam. A prolonged stalemate there in the economic relationship between the landlords and money lender-merchants on the one hand and the tenants and farm labourers on the other has disorganized the customary exchange economy in the countryside. In consequence, it is believed that the marketable surplus in agriculture has shrunk more than agricultural production.[2]

On the demand side, new money incomes have been continuously generated for more than a decade, first through the acceleration of military expenditures in both countries and then by the addition of expenditures on the rehabilitation and reconstruction of the economy and the resettlement of refugees. Foreign aid, not to speak of the level of domestic savings, has hardly kept pace with these expenditures. A continuous inflation of the money supply has come about through large budget deficits, supplemented in the case of southern Korea in most years (1954 and 1957 excepted) by a phenomenal rate of expansion of bank credit to the private sector. Furthermore, local currency payments outside the regular budget to military forces, against foreign exchange which was accumulated by the monetary authorities, contributed to the increase in money supply.

In southern Viet-Nam, all through the Second World War and the subsequent hostilities and civil strife, deficit financing of military operations by the central banking authorities prevailed. Military expenditures were largely met through the direct creation of piastres against foreign currencies, mostly French francs. The accumulation of foreign exchange assets did not, however, invest the economy with a corresponding capacity to import goods for domestic use, since a considerable portion of those assets was dissipated in the form of losses through currency depreciation and through heavy outpayments for the repatriation of profits and investments held by foreigners. Subsequent developments further aggravated the financial situation of southern Viet-Nam. Before final evacuation from the north, large business-owned bank deposits were transferred in their entirety to the south. The currency notes in circulation in the north also continued to be a liability of the Institut d'Emission and its successor, the National Bank of Viet-Nam. These in effect remained as foreign exchange liabilities of southern Viet-Nam till the withdrawal of the old notes (July 1956).[3] In 1955 and 1956, piastre counterpart funds continued to be generated by the United States dollar aid. Their utilization exerted a further expansionary influence on money supply and incomes.

In southern Korea, the inflationary momentum was much greater after 1945. Substantial amounts of government deficit were financed by over-drafts on

[1] One among several indications of these high profit margins is the disparity in the movement of wholesale and retail prices. By 1955, the wholesale price index had risen thirty times above 1939, while the retail price index had risen as much as seventy times, despite a decrease in the yield of indirect taxes (ECAFE Working Party on Economic Development and Planning, Second Meeting. Document No. DPWP.2/13, 18 September 1956, p.5).

[2] In southern Korea, a land reform law passed in 1949 has already been implemented, while implementation of the land reform programme in southern Viet-Nam has just begun. In both countries agricultural producers have customarily suffered from small holdings, rack-renting and widespread tenancy as well as from usurious activities of money-lenders.

[3] *Les perspectives du développement économique au Viet-Nam* (TAA/Vet/1; OTT/TAP/Viet-Nam/R4, FAO/Rapport No.539), 1956.

the central bank and by the sale of bonds to the banking system. The expansion of bank credit to the private sector and to numerous small government enterprises[1] has, since 1951, been as large (except 1954 and 1955) as a factor in the growth of the money supply, and sometimes (in 1953, 1956 and 1957) a larger one, despite the use of both qualitative and quantitative credit controls, especially since 1954.

Control over inflation has thus been made difficult in both countries by the existence of excess liquidity in the private sector. In the case of southern Viet-Nam, the withdrawal of bank deposits in late 1956 and the consequent increase in note circulation could lead to a renewed outburst of open inflation should commercial or speculative types of transactions multiply or the pace of the commercial import programme slacken. Control over private spending and credit creation may thus raise serious problems in the event of accelerated reconstruction expenditures in the public sector. Moreover, as the experience of southern Korea shows, controls over currency and deposits designed to influence the quantity of money are ineffective once acute inflation sets in and the public speeds up its rate of spending with a view to avoiding losses from holding a depreciating currency.

Expansion of imports and production

To rectify an excess of effective demand over supply of goods and services, and thus counter inflation, supply may be increased by the expansion of production or of imports. In both southern Korea and southern Viet-Nam, the slow expansion of production—particularly agricultural production in the former and industrial production in the latter—has been aggravated by a growth of population from natural increase and refugee immigration. Greater reliance has therefore to be placed on aid imports to mop up a significant portion of the excess purchasing power.

In southern Viet-Nam, imports of capital goods in 1955 and 1956 averaged almost one-fifth of the total imports, raw materials another one-fifth and the rest consisted of consumer manufactures. In 1956, about a third of consumer manufactures were textiles and another third foods, drinks and tobacco. As domestic production recovered, and the needs of reconstruction grew, the earlier emphasis on consumer goods imports was shifted to imports of capital goods, whose share climbed to more than one-fourth of the total during the first half of 1957.

In southern Korea, major items for which local production has to be supplemented by imports include foodgrains, cotton and cotton textiles, coal and cement. For other major items not locally produced, including chemical fertilizers, petroleum, raw rubber and rayon yarn, imports have constituted the sole (or virtually sole) source of supply. For the period from January 1950 to mid-1957, imports of commodities classed as essential reached the sizable sum of $1,029 million, of which 77.5 per cent was financed by aid. A breakdown of imports of these essential commodities for this period gives the following percentage distribution:

Foodgrains		35.6
Chemical fertilizers		25.4
Textiles		19.8
Raw cotton	11.1	
Cotton yarn	2.4	
Rayon yarn	5.6	
Cotton cloth	0.7	
Fuel		13.8
Coal	7.1	
Petroleum	6.7	
Building materials		3.3
Lumber and logs	3.2	
Cement	0.1	
Raw rubber		2.1
Total		100.0

Imports of foodgrains and chemical fertilizers (mostly used for foodgrain production) accounted together for 61 per cent of the total imports of essential commodities. Of the $366 million of foodgrains imported, 43 per cent was for the single year 1953, foodgrain production having fallen in 1952/53 to its lowest level—only 71 per cent of the 1949 level. Following the other two bad crop years—1951/52 and 1956/57—foodgrain imports again soared—to $65 million in 1952 and $48 million in 1957 (up to the end of June). Imports of chemical fertilizers increased steadily throughout the period, except in 1954, from $27 million in 1952 to $58 million in 1956 and $30 million in the first half of 1957.

Raw cotton imports, almost wholly financed by United States aid, rose from $6.9 million in 1953 and $17 million in 1954 to $22 million in 1955, $24.1 million in 1956 and $14.2 million in the first half of 1957. The average annual imports during 1954-1956 reached 171,000 tons, as compared with average annual local production of only 17,000 tons.[2] After these imports of raw cotton and the rapid rehabilitation of the cotton textile industry, imports of cotton textiles showed a drastic decline, and ceased completely in 1956.

Rayon yarn imports, financed at first by southern Korea's own exchange but increasingly by United States aid, rose from $3 million in 1952 to $15.8 million in 1956 and $8.1 million in the first half of 1957. In order to meet the growing local require-

[1] Mostly vested companies taken over by the Government after 1945.

[2] Unginned cotton figures from official sources have here been converted into ginned cotton at the ratio of 3:1.

ments and at the same time economize foreign exchange outlay, the Government plans to construct a viscose rayon filament plant with a daily capacity of 10 tons, or an annual capacity of about 7 million pounds—equal to nearly one-half the 1956 import total of 15 million pounds.

Imports of coal shot up from $1.2 million in 1954 to $28.6 million in 1955 and $25.1 million in 1956, all financed by foreign aid, chiefly because of the growing requirements of railway transport for the movement of goods and passengers. Imports of petroleum and petroleum products, also paid for wholly with aid finance, rose from $7.2 mililon in 1952 to $20.2 million in 1956, but were cut drastically in the first half of 1957 to $5.5 million.

Monetary measures

The large-scale deficit financing in southern Korea to meet the costs of the war substantially increased money incomes, which continued to expand when expenditures on reconstruction and refugee resettlement were met largely from outside the normal budgetary revenues of the Government. The resulting liquidity of the commercial banks led to the expansion of credit to the private sector, which further widened the gap between the availability of goods and money supply. Control of credit expansion thus emerged as a major problem requiring immediate attention. The monetary authorities made use of currency conversions, higher interest rates, higher reserve requirements against commercial deposits, and the fixing of loan ceilings. They achieved varying degrees of success with these measures.

Currency conversion was first resorted to in the autumn of 1950. The main purpose was to withdraw the Bank of Chosun notes issued by the northern Korean invaders and replace them by Bank of Korea won notes. This first conversion period was limited to 19-22 September 1950 and the old notes were redeemed at face value. To the extent that the old Bank of Chosun notes were not exchanged for new notes, this measure had a moderate disinflationary effect. A second conversion, in which each household was allowed to retain a maximum of 20,000 won, depositing the balance if any at the bank, followed almost immediately. The aim in this case was to freeze a part of the greatly inflated purchasing power in the hands of the people. Through these two initial currency conversions, it is estimated that a sum of 15.8 billion won was taken out of circulation and frozen in the form of bank deposits. The continued pumping of more money into circulation through deficit financing, however, cancelled the effect of these comparatively mild measures to curb the money supply, and in February 1953 more drastic measures were introduced. All cash and bank deposits in excess of 50,000 won were frozen, and converted into the new unit of currency (the hwan) at the rate of 100 won to a hwan. It was hoped to freeze 3 billion hwan through this measure but the actual withdrawals proved to be only 2.2 billion hwan. The anti-inflationary effect of the new currency conversion was in any case not decisive, since, by the end of June 1953, the money in circulation already exceeded the February level. Moreover, apart from the fact that fresh money was being continually put into circulation, the velocity of circulation was very high.

Interest rate policy was also used in an effort to achieve a contraction of credit. The rediscount rate of the Bank of Korea on commercial bills was raised four times between February 1949 and April 1951, but, with an existing maximum statutory rate of 20 per cent, interest rate policy was not an effective instrument of credit control. It was found that the demands for credit for reconstruction purposes required a low rate of interest, whereas a distinctly high rate would have been needed to limit credit expansion and reduce inflationary pressure, especially since, with prices continually rising, the promise of large speculative profits far outweighed the deterrent effect of any minor interest rate penalty. These conflicting objectives of interest rate policy prevented its efficient use as an anti-inflationary weapon.

Since the high degree of liquidity of the commercial banks was a major factor making for inflationary credit expansion in the private sector, a remedy was sought through the raising of reserve requirements against current deposits. In 1955, the minimum reserves required to be held by the commercial banks were raised in July to 20 per cent, and in October to 25 per cent. Under the existing banking practices, however, commercial banks had easy access to rediscounting facilities of the central bank to meet the additional obligation. Consequently, the higher reserve minima proved of little use in limiting the power of commercial banks to make advances to private enterprise, and it is hardly surprising that the minimum reserve requirement was again reduced to 20 per cent in April 1957.

Loan ceilings have also been imposed, since 1954. At least until the tight Financial Stabilization Programme was adopted in 1957, however, these ceilings as determined by the Monetary Board of the Bank of Korea have had little restrictive effect—apparently in part because anticipated price increases have led to overstatement of the demand for loanable funds. In addition to ceilings on loans by the Bank of Korea, ceilings have been imposed on its rediscounting facilities. In actual operation, however, government enterprises, at least, have always been able to obtain loans from commercial banks, which in turn have been able to secure rediscounting facilities from the Bank of Korea, so that the rediscount ceilings have likewise been ineffective.

In southern Viet-Nam, the ability of the National Bank of Viet-Nam to control the inflationary forces that prevailed till mid-1956 was seriously limited because of the absence of an organized securities market for conducting open market operations, and the presence of excess liquidity in the commercial banks. The swollen bank deposits reflected, in part, abnormal profit accumulations of mainly foreign business firms which were neither captured by taxation nor inactivated by direct controls.[1]

Central bank credit policy has been mainly confined to varying the minimum reserve requirements of commercial banks. This minimum reserve requirement was initially fixed—from March 1955 to September 1956—at only 10 per cent. Despite the abnormally high liquidity position of commercial banks, it was considered that inflationary pressures were not attributable to credit creation by the banks. The printing of piastres against direct exchange of dollars to meet local currency requirement of military and refugee expenditures was at that time regarded as the main source of such pressures. But the expansionary impulse in the government sector was, in fact, promptly transmitted to the private sector. Bank loans to the private sector rose significantly, adding further inflationary impetus. The minimum reserve requirements were raised in September 1956 to twenty per cent. This move, however, coincided with an extensive withdrawal of bank deposits by alien minority groups, who had become apprehensive of some of the measures taken to restrain their activities. A second factor which reduced the liquidity of banks was the acceleration of the commercial import programme in the fourth quarter of 1956, accentuated by a substantial increase in the deposits required for import licences from private importers. These factors resulted in a tight money situation, reflected in the fall of bank reserves from 65 per cent of gross deposit liabilities in July 1956 to 36 per cent in June 1957. Since March 1957, the National Bank has granted rediscounting facilities for short-term commercial paper on a fairly large scale, and in June 1957 it lowered the minimum reserve requirement to 15 per cent.

Perhaps more significant than the operations of the National Bank has been the recent growth of specialized credit institutions. To help reconstruct the economy of southern Viet-Nam and develop its agriculture and industry, several credit institutions have been started since 1955 for supplying credit to sectors which have traditionally suffered from inadequacy of funds and high cost of credit. The previous orientation of the banking system, mostly foreign-owned, was towards the financing of foreign trade operations; medium and long-term credit institutions for domestic purposes were absent. Financing in rural areas poses special problems in view of the prevalence of usurious money-lending by landlords and merchants, whose income from these activities is believed to have often exceeded, in the prewar period, their rental or trading incomes. In southern Viet-Nam, as in many other predominantly agrarian economies, there is perhaps no problem more serious than the continued hold exercised by these interests over the productive forces of the country.

On 1 April 1957, the Government established the National Agricultural Credit Institute as a central credit agency empowered to extend loans at low interest to individuals and co-operatives in the field of primary production and rural handicrafts. Between mid-1956 and mid-1957, existing credit agencies had already granted loans totalling over 200 million piastres for rehabilitation of abandoned lands, for draught animals, for agricultural co-operatives and so on. The rate of interest for agricultural credit has been fixed at 1 to 5 per cent a year for short-term loans and 5 to 8 per cent for long-term loans.

Similarly, for the financing mainly of the medium and long-term credit needs for industry, the Government established, in September 1955, the National Investment Fund, with a capital of 200 million piastres. The present interest rates for medium-term loans are 8 per cent and for long-term loans, 6 per cent.

Fiscal measures

The budgetary position of both southern Korea and southern Viet-Nam in the postwar period has been characterized by the excess of government expenditures over government receipts, the imbalances being met through foreign aid on an increasing scale and also, in the case of southern Korea, through deficit financing. Balanced budgets are not yet in sight.

Expenditure on defence constitutes a larger percentage of total government expenditure in southern Viet-Nam than in southern Korea—an estimated 46.5 per cent, in 1957, as against 27.9 per cent. The proportion was higher in both cases in earlier years (see table 73). Expenditure on development presents a different picture. In southern Korea, it is expected to claim 44.7 per cent of the total in 1957 as against 16.9 per cent in southern Viet-Nam. On the revenue side, taxes in 1957 are estimated to account for 59.9 per cent of total receipts for southern Viet-Nam and 38.5 per cent for southern Korea. The higher porportion in the former case is due to heavy yields from customs and excise duties levied by southern Viet-Nam on aid imports—which is presumably not a permanent feature of the country's tax structure. The Government of the Republic of Korea, instead of imposing import and excise duties on aid imports,

[1] These funds seeking transfer outside the country continue to exert great pressure on the foreign exchange market. The measures taken to control their exodus include foreign exchange restrictions and the creation of a free exchange market with limited access for specified transactions relating primarily to profit transfers.

Table 73. Southern Korea and southern Viet-Nam: Government Expenditures and Receipts, 1955-1957[a]
(Amount in billions of national currency units)

Item	1955 (Fiscal year)				1956 (Fiscal year)				1957 (Fiscal year)[a]			
	Southern Korea		Southern Viet-Nam		Southern Korea		Southern Viet-Nam		Southern Korea		Southern Viet-Nam	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Government expenditures:												
Defence	62.8	44.0	7.1	66.3	115.6	30.1	6.9	55.62	118.5	27.9	6.6	46.5
Development	34.0	23.8	1.0	9.3	150.1	39.1	1.8	14.4	189.5	44.7	2.4	16.9
Administration	45.9	32.2	2.6	24.4	118.2	30.8	3.8	30.4	116.4	27.4	5.2	36.6
TOTAL	142.7	100.0	10.7	100.0	383.9	100.0	12.5	100.0	424.4	100.0	14.2	100.0
Government receipts:												
Government revenue	66.4	46.5	7.2	67.3	156.4	40.7	7.3	58.4	163.5	38.5	8.5	59.9
Foreign aid	42.2	29.6	3.8	35.5	182.7	47.6	5.6	44.8	194.3	45.8	5.7	40.1
Bonds	15.7	11.0			32.1	8.3			37.5	8.8		
Advances from central bank	18.4	12.9			12.7	3.4			29.1	6.9		
Changes in cash balance			-.3	-2.8			-.4	-3.2			—	—
TOTAL	142.7	100.0	10.7	100.0	383.9	100.0	12.5	100.0	424.4	100.0	14.2	100.0

Note: In southern Viet-Nam, the fiscal year corresponds to the calendar year; in southern Korea the periods of fiscal years vary as follows: April 1954 to June 1955 for 1955, July 1955 to December 1956 for 1956, and January to December 1957 for 1957.

Source: Bank of Korea for southern Korea; *Colombo Plan, Sixth Annual Report of the Consultative Committee* (Saigon, 1957), for southern Viet-Nam.

[a] Estimates.

obliges certain categories of people, in particular the importers applying for International Co-operation Administration (ICA) dollar allocations, to buy national bonds. When applications for these allocations at the official rate of 500 hwan to the dollar exceed the total allocations, priority is given to the applicant who offers the highest "national bond acceptance". On the rare occasions when there is no such competition, bonds at the rate of 30 hwan per dollar of imports must be accepted. Since the free market rate has for the past year or so been stabilized at around 1,000 hwan to the dollar, theoretically the amount of bond sale to the dollar may be as high as 500 hwan, although profit and other considerations often hold it below this amount.

As is seen from table 73, the budgetary deficits are being met in both countries through foreign aid, which is estimated to yield 45.8 per cent of total 1957 receipts in southern Korea (supplemented by advances from the central bank) and 40.1 per cent in southern Viet-Nam.

Reliance on foreign aid as a balancing factor between government receipts and expenditures entails considerable hazards. These might be avoided if there was a reduction in defence and reconstruction outlays and the tax system were made more productive and efficient. Southern Korea took steps in 1957 to cut losses in government enterprises through raising the prices and rates for their products and services. More radical measures to economize government expenditure on non-developmental activities and to improve tax collection would obviously be required, however, if the situation is to be dealt with. The Government's expenditure on civil administration, although forming a progressively smaller percentage of total expenditure, was twice as high in 1957 as in 1955. The rise was partly accounted for by higher commodity prices (including those for grain procured) and salary increases under inflationary conditions and partly by expansion in government activities.

The tax structure in southern Viet-Nam suffers particularly from inadequate collection, which brings in only a fraction of the assessments. In 1955, only 4 per cent of wage and salary tax assessments and less than 20 per cent of rural land tax assessments were collected. In 1955 and 1956, collection of the paddy processing tax probably did not exceed one-fifth of the estimated yield.[1] Income tax revenue steadily declined from 1955 through 1957. The Government has, however, taken steps to increase the efficiency of tax collections, and has also instituted a number of fiscal reforms designed to simplify the tax system, expand the domestic tax base and strengthen the system's anti-inflationary impact. In March 1957, the Government replaced the former turn-over tax—a 4 per cent tax levied at each of the three levels of sales, namely, sales by producers, wholesalers and retailers

[1] Michigan State University Viet-Nam Advisor Group, *Budgetary Administration in Viet-Nam* (Saigon, undated).

—by a single tax of 6 per cent on locally produced goods. Since the scale of duties on imported goods is much higher, this measure has placed domestically produced goods in a better position to compete with imported goods at the same time as it has helped restrain price rises at successive stages of sales.

PRICE CONTROL MEASURES

Government control over prices is exercised in southern Korea in a variety of ways including direct fixing of prices in the case of foodgrains and certain industrial crops procured by the Government, products and services sold by government enterprises and monopolies, and government sold aid imports. Since these fixed prices affect the costs of raw materials and the wages paid by private enterprises, the influence of government price control permeates a fairly considerable portion of the country's economic activities.

Foodgrains, mainly rice and barley, have been collected by the Government largely as in-kind payments under the land income tax since 1951, and distributed to armed forces, government employees and workers in key government enterprises as part of salaries and wages. They have also been used to meet relief and other requirements. To supplement these tax collections, the Government has purchased foodgrains from the peasants at official prices set by the National Assembly, which were usually lower than open market prices. For rice, the staple foodgrain, government collections from taxes and procurement constituted, during 1949-1956, around 15-25 per cent of total production. Since about 60-70 per cent is consumed by peasants and their family members, only about 15 per cent of the total harvest moves in the open market, where prices fluctuate considerably.

In the government monopoly industries, including the important transportation, communications and power industries, prices and wage rates are established by the National Assembly. In other industries, direct control of prices and wages is largely limited to the vested companies, that is, former Japanese-owned enterprises still administered by the various central ministries.[1] These monopoly industries and vested companies, with the exception of obviously revenue-yielding industries such as tobacco and ginseng,[2] frequently set prices below costs to prevent undue rises in the cost of living. Subsidies to these take the form of liberal loans from government banks at rates of interest much below the market rate.

Aid imports, largely of essential commodities including foodgrains, are often sold at below market prices. For chemical fertilizers, the most important item other than foodgrains, it has been the intention of the Government to supply the peasant with imported fertilizer at a low official price or under a regulated barter arrangement for foodgrains, so that the peasant might thereby be at least partly protected from inflation.

In the case of other items also, such as coal, aid imports are sold at below market prices to government enterprises in order to reduce their cost of operations and hence the need for budgetary appropriations. Controversy has raged round this policy. As pointed out in a report prepared for UNKRA, "the most trying difficulties have arisen in connexion with the pricing of various aid goods, where the decision rests with the Combined Economic Board. The Republic of Korea (ROK) has favoured extremely low prices for raw materials, in order to help support the artificially low cost structure in many manufacturing industries. The United Nations agencies have taken the position that the cost structure is untenable and that higher prices which absorb larger amounts of purchasing power and were realistic in terms of the current market situation would permit a more effective control of inflation".[3]

Price control has functioned only imperfectly in southern Korea. Prices have often been fixed at unrealistic levels which have tended to encourage wasteful consumption on the one hand, and failed to absorb excess purchasing power on the other. The discrepancy between official and free market prices has in many instances caused aid imports such as chemical fertilizers, raw cotton, wheat, coal and petroleum to be resold by government agencies and enterprises at market prices in order to reap profits with which to supplement their limited budgetary appropriations, or to be used to reduce the cost of raw materials in private industries and thereby enhance returns on capital investment.

Since inflationary pressure is much less intense in southern Viet-Nam direct controls over prices and distribution have not played the same part as in southern Korea. The supply of aid-financed imports at the low official exchange rate has generally proved adequate. However, a general system of control over the profit margins of traders was found to be necessary in view of the various speculative influences operating under inflationary conditions in the economy. Since October 1956, price control has covered all imported goods and essential domestic products, and retail shops have been required to mark selling prices on items

[1] A number of these companies have been sold to the private enterprise.

[2] A herb root used by traditional medicine.

[3] *An Economic Programme for Korean Reconstruction*, prepared by Robert Nathan Asscoiates, Ltd. (Washington, D.C., June 1954), p.188.

of goods for sale. Only sugar purchased by importers who have received ICA foreign exchange is at present subject to a detailed system of distribution control organized by the Director of Internal Trade.

IMBALANCE IN EXTERNAL TRADE AND PAYMENTS

Trade and balance of payments

The trade and payments situation of both countries is marked by a wide gap between the capacity to export and the requirements for import, a gap that has been filled by foreign assistance—mainly United States assistance. As the foregoing discussion has shown, the capacity to export has suffered mainly from (1) depleted productive capacity, especially in rice production, an important traditional export item, (2) the growth in domestic demand for formerly exported products such as rice—a demand sustained by increased population, and (3) the high cost of domestic production in view of low productivity and a distorted cost structure caused largely by overvaluation of the currency.

The large volume of imports, consisting of both consumer goods and capital goods, reflects the operation of a number of factors. First, there is the high volume of military expenditures which, by diverting manpower and complementary resources, has affected the capacity to produce goods for local consumption. The impact of increased money incomes on domestic production is necessarily confined to sectors where the domestic supply is elastic (such as services). Beyond this, increased money incomes, unless mopped up in other ways, tend to result in increased imports. Secondly, import substitution in an economy with a depleted productive capacity requires a carefully worked-out programme of steady advance in domestic agricultural and industrial development. Otherwise, import requirements will continue to be high. In southern Korea, while industrial production has recovered and even expanded (coal, power, cotton textiles and cement) and has entered some new fields (fertilizers, wheat flour and flat glass), agricultural production, on a per capita basis, particularly in the case of rice, is still below the 1949 level. In southern Viet-Nam, on the other hand, there has been a rapid recovery in major branches of agricultural production up to and surpassing 1939 level, but industrial production, now confined mainly to handicraft products, has still to be developed.

The slow recovery of agricultural production and the large requirement for development imports in southern Korea have resulted in a steady decline in the proportion of total imports (inclusive of aid imports) financed by exports—from 30.9 per cent in 1950 to 4.8 per cent in the first half of 1957. In southern Viet-Nam, the corresponding proportion, after falling from 41.4 per cent in 1951 to 17.6 per cent in 1954 when hostilities ended, rose to 26.7 per cent in the first half of 1957, mainly as a result of a bumper rice crop which allowed resumption of rice export (see table 74).

Other notable features of the payments situation in the two countries are the high volume of outpayments for remittance of profits, dividends and interest on account of foreign investment in southern Viet-Nam, and military expenditures of foreign (United Nations) forces in southern Korea.

In southern Viet-Nam, the outpayments for servicing investment and for profits and salaries have averaged between one and one and a half billion piastres a year in the last three years, that is, about 1.5 to 2 per cent of national income. The value of exports in 1956 was, for instance, less than 2 billion piastres. Thus, in 1956, the level of exports was only about to meet these transfers. Repatriation of foreign capital, although practically disallowed since mid-1956, continues to put some pressure on the payments position of the country.

In southern Korea, a part of the trade deficit—about 22 per cent from 1953 to 1956—has been financed by foreign military expenditure and by reductions in foreign exchange reserves. Foreign military expenditures, which are principally dollar payments for local currency advances to cover the expenses of United Nations forces in the Republic of Korea, have however, declined sharply since the middle of 1955. During 1956, southern Korea's net reserves fell by $14 million, or somewhat more than in 1955.

Multiple exchange rates

The multiple exchange rates of southern Korea and southern Viet-Nam have been clearly related to the large and persistent imbalances between their production and their domestic demand, reflected in their balance of payments. Under the open and latent inflationary pressures export activities at the official exchange rates might be practically at a standstill in the absence of special measures adopted for their stimulation. Imports, essential as they are, cannot be allowed to become large or indiscriminate. Multiple exchange rates become especially attractive in such circumstances.

In southern Korea, a single official rate of exchange, has been in existence since August 1955. Before that time, however, southern Korea adopted a policy of multiple exchange rates, in conjunction with other measures such as quantitative restrictions and tariffs, to regulate the flow of imports and exports. The rates applied to different types of transaction were

Table 74. Southern Korea and southern Viet-Nam: Imports and Exports, 1950-1957

Period	Southern Korea: Exports (million US dollars)	Southern Korea: Imports (million US dollars)	Southern Korea: Exports as per cent of imports	Southern Viet-Nam[a]: Exports (billion piastres)	Southern Viet-Nam[a]: Imports (billion piastres)	Southern Viet-Nam[a]: Exports as per cent of imports
1950	24.9	80.5	30.9	1.56	4.22	37.0
1951	15.6	130.5	11.9	2.54	6.12	41.4
1952	27.7	213.4	13.0	1.97	9.02	21.8
1953	39.6	347.1	11.4	1.88	10.60	17.7
1954	24.2	241.2	10.0	2.01	11.43	17.6
1955	17.6	338.8	5.2	2.42	9.21	26.3
1956	25.2	384.3	6.6	1.47	7.37	19.9
1957 (Jan-June)	11.5	238.1	4.8	1.25	4.69	26.7
TOTAL	186.3	1,973.9	9.4	15.10	62.66	24.1

[a] Beginning June 1955, trade of the Republic of Viet-Nam only. Prior to January 1955, excluding trade with Cambodia and Laos but including transit trade of those countries with others through Viet-Nam.

governed by a variety of considerations: favourable treatment to imports essential for relief, rehabilitation and reconstruction; provision of cheap imports, in terms of local currency, to hold down the cost of living, and provision of incentives to exporters—as by a system of retention quotas for export proceeds. Success did not always attend the efforts to achieve these objectives, and the economy was sometimes confronted instead with the problem of a distorted cost and price structure resulting from the complicated exchange rate structure.

Before the establishment of a single official exchange rate, the rates of exchange resulting from the auction sale of dollars by the United Nations Command and the sale of imported aid goods differed from the official rate, as did those for military payments certificates and other unofficial transfers. In addition, certain essential categories of imports like coal, fertilizer, investment goods and relief supplies were subject to favourable rates of exchange in order to reduce their cost of import.

The practice of multiple exchange rates was a direct outcome of the serious loss of value of the currency, which depreciated on the free market from 15 won to a dollar at the beginning of the United States Army Administration in 1946 to 6,000 won (equal to 60 hwan) by February 1953. An official rate of 180 hwan to the dollar was established in December 1953. The free market rate of exchange continued to fall, making it necessary in August 1955 to introduce an official rate of 500 hwan to a dollar, which was made uniformly applicable to all transactions. On 15 May 1957, a system of competitive bidding for national bonds was introduced, whereby importers applying for ICA dollar allocation offered to purchase national bonds in addition to paying the official rate applicable to ICA commodity (non-project) aid imports.

The unified rate of exchange has been closer to the free market, but the differences between it and the unofficial rates for military payments certificates and commercial exports are still substantial. The single rate of exchange introduced in 1955 was the result of an agreement between the Governments of the Republic of Korea and the United States, in which it was stipulated that continuance of the new rate would depend on the maintenance of a relatively stable price level, and that, should prices increase by more than 25 per cent, the agreement would be subject to review. On 23 January 1957, another agreement was concluded between the two Governments extending the life of the agreement until the end of 1957.

In southrn Viet-Nam, multiple exchange rates entail the use of a "mixing" rate system. Exporters surrender a specified portion of their export earnings at the official rate, while the rest of the exchange proceeds may be negotiated at a free market rate, which is about twice the official rate. Imports are paid for at the official rate, in order to keep domestic prices at a low level. However, various import duties and excises are then levied in accordance with the degree of essentiality of the goods imported. Outpayments on account of specified invisible and capital transactions are conducted in a free market specially established for this purpose—a "free market with limited access" which acts as a safety valve for enormous clandestine pressures exerted on the balance of payments position of the country. Efforts are made to stabilize the free market rate through an exchange stabilization fund.

The domestic price level is very much higher than world prices when calculated at the official rate of exchange. The Government's various export subsidy schemes appear to reflect a real rate of 50 piastres to the dollar. On the import side, it has been calculated that, at the rate of 35 piastres to a dollar, the total taxes and customs on merchandise imports average out at approximately 18 piastres per dollar's worth of import, so that a dollar's worth of imports is effectively priced at about 53 piastres on the domestic market. This means that, from the standpoint of the rate applied to exports, the real tax on imports amounts only to 3 piastres or 6 per cent. Only one-sixth of the 18 piastres of taxes and customs on imports can be considered as a tax.

It is commonly recognized that the benefits of devaluation may be negligible in circumstances where export supplies continue to be inelastic, and where dependence on imports is substantial. Moreover, the subsequent increase in money income from exports and the higher import prices will both generate inflationary pressure. In these conditions, which obtain in southern Viet-Nam, the basic remedy for the balance of payments difficulties appears to be the reduction of inflationary pressure and the gradual restoration and expansion of domestic productive capacity.

Role of foreign aid

As previous sections have shown, foreign aid, particularly from the United States, has helped greatly in rehabilitating refugees and reconstructing productive facilities in both southern Korea and southern Viet-Nam. It has provided the means for meeting budgetary deficits and closing gaps between payments and receipts in international transactions. The project assistance received has directly helped in the reconstruction of depleted productive facilities; the commodity assistance, apart from bridging the gap between external payments and receipts, has provided the Governments, via the local currency counterpart deposits required for importers, with internal sources of budgetary finance for developmental and other purposes. The anti-inflationary impact of these aid imports of both consumer goods and industrial raw materials has also been significant.

Foreign aid has played a singularly important part in southern Korea. The United Nations Korean Reconstruction Agency (UNKRA) and the United States International Co-operation Administration (ICA) (as well as its predecessors, ECA, MSA and FOA) have offered substantial assistance both by affording direct project assistance and importing large quantities of consumer goods and industrial raw materials. ICA has also provided expert advisory services and technical training facilities to meet the shortage of skilled labour. Certain international voluntary organizations have actively participated in providing emergency relief to refugees and are estimated to have been authorized to import aid and relief goods worth \$62.6 million up to 30 June 1957.

Up to 30 June 1957, UNKRA provided an amount of \$143 million for reconstruction, in addition to United Nations emergency relief allocations of \$474 million.[1] The activities of UNKRA have been largely concerned with the reconstruction and rehabilitation of war-damaged industrial establishments and the restoration of productivity with a view to developing a viable national economy. Thus, in this period, the organization spent an amount of \$40 million to restore and develop industrial and mining production. In view of the urgent need for rehabilitation of transport and communication facilities, a sum of \$5.5 million was spent on this account. Irrigation facilities were improved at a cost of \$2.9 million. For the expansion of housing and promotion of health and sanitation, which the influx of refugees made immediately necessary, UNKRA spent a sizable amount of \$12.2 million on the improvement of facilities. A programme of importing saleable commodities on a substantial scale has been consistently pursued by UNKRA with a view to withdrawing currency from circulation as a counter-inflationary measure in the first instance, and making local currency funds available for use in implementing the investment projects. In the whole period of UNKRA operations ending 30 June 1957, saleable commodities worth \$33 million were imported, including a wide range of goods like grain, fertilizer, raw wool, wool tops, rayon and worsted yarns, raw rubber, textbook and printing paper, steel products, automobile and truck tyres, chemicals, dyes and construction materials.

As the principal source of foreign aid for southern Korea, the United States, through the ICA and its predecessor agencies, made available in the four fiscal years ended 31 July 1957 funds amounting in total to \$1,971 million, of which economic aid totalled \$1,135 million. Surplus agricultural commodities to an additional value of \$81 million were also supplied under United States Public Law 480.

Economic rehabilitation and refugee resettlement in southern Viet-Nam[2] have been mainly effected with the help of aid from the United Nations Technical Assistance Programme, France, the United States and other donor countries associated with the Colombo

[1] *Report of the Agent General of the United Nations Korean Reconstruction Agency for the period 1 July 1956 to 30 June 1957* (A/3651), page 1.

[2] Figures of foreign aid in Viet-Nam have been obtained from the Reports of the Consultative Committee of the Colombo Plan.

Plan.[1] Aid from France has been largely for expert advisory services and training fellowships, but assistance in 1955 and 1956 included $1.8 million for refugee rehabilitation and reconstruction activity in agriculture and public works. In 1954-1955, Australia also provided £A300,000 for agricultural and irrigation equipment, telecommunications, earth-moving and road-building equipment for projects of refugee rehabilitation.

United States economic aid in its fiscal years 1951-1954 aggregated $68 million and was largely in the form of project assistance, especially for reconstruction and maintenance of transport facilities. In fiscal year 1955, owing to inflationary pressure and the influx of refugees, the composition of the programme changed, and greater emphasis was given to commodity assistance and refugee resettlement. About two-thirds of the total allocation of $85.5 million in that year went to the import of consumer goods. In fiscal year 1956, when reconstruction had gathered momentum, a sizable portion of the $193.7 million provided was obligated for the import of capital goods and resettlement of refugees. The previous stress on commodity assistance, in the form of both capital and consumer goods, had been intended to break the supply bottleneck and, through the creation of counterpart funds, assist in providing internal finance for reconstruction purposes. In fiscal year 1957, United States economic aid to southern Viet-Nam was stepped up to $261.2 million, out of which $191.8 was earmarked for commodity procurement authorizations.[2] The largest single import item was textiles, for which $46.5 million was allocated. The other principal commodities covered under the procurement authorizations included metals, vehicles, foodstuffs, petroleum products and chemicals.

CONCLUSION

The considerable degree of economic recovery achieved in southern Korea has been the cumulative result of domestic efforts over a number of years, supplemented by substantial bilateral and United Nations aid. The problem of the resettlement of refugees has been seriously tackled, but a considerable number of refugees still remain to be settled permanently. Industrial and mineral production have registered substantial gains and, since exports of minerals provide a profitable means of earning foreign exchange, the development of mining may be expected to proceed at a growing pace. Per capita agricultural production, however, is still below prewar (1949) level, recovery in agricultural production having been intermittently interrupted by unfavourable weather conditions. Agricultural export surpluses, which provided the main anchor for economic stability in pre-partition days, have thus not been restored. On the contrary, southern Korea continues to be heavily dependent on foodgrain imports. Moreover, since deficits in both the budget and the balance of payments continue to be met by large-scale foreign aid, the economy has not yet achieved a viable position.

The time elapsed since the signing of the Geneva Accords in July 1954 has been too short to warrant the expectation of spectacular achievements in the process of reconstruction in southern Viet-Nam. In the first two years, the provision of emergency relief to refugees and their subsequent resettlement took top priority. Through the efforts of the Government and foreign aid, these problems were largely solved. It was only in 1957 that southern Viet-Nam prepared a five-year development plan (1957-1961) for the reconstruction of its economy, and that emphasis in the United States aid programme also shifted to reconstruction. The volume of production in agriculture has shown a substantial increase but the average per capita production remains below prewar (1939) levels. Industrial production has not registered major gains. Productivity was already low, before the war, and the larger present population is not deployed in the most effective manner. As a result of refugee concentration in cities, a labour surplus continues in relatively unproductive sectors of the economy, aggravating the problem of unemployment in urban areas and limiting the needed efforts to increase agricultural output. To redress this imbalance is part of the task of those who are building the economy of the country.

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[1] As in southern Korea, international voluntary organizations have also provided emergency relief for refugees in southern Viet-Nam, but in this case the scale of assistance has been comparatively small.

[2] United States Operations Mission to Viet-Nam, *Annual Report 1 July 1956 to 30 June 1957.*

Chapter 8

THE LAND-LOCKED COUNTRIES (Afghanistan, Laos and Nepal)

INTRODUCTION

Three countries of the ECAFE region which are setting out to advance their economic development after centuries of isolation and seclusion are Afghanistan, Laos and Nepal. Their isolation and its consequences for their development are partly due to the fact that they are all entirely land-locked (that is, they have no direct access to the sea). They have, therefore, along with their distinctive individual features, a number of problems in common which invite analysis.

Afghanistan gradually evolved into a national State from the middle of the nineteenth century and adopted an economic policy for development only in September 1953. Laos achieved independence in December 1954 after a long period of French administration. Nepal introduced a democratic system of government in February 1951.

Afghanistan, a mountainous country with an area of 650,000 square kilometres, is bounded on the north by the Soviet Union, on the west by Iran and on the east and south by West Pakistan. It has four geographical regions—the endless slightly undulating plains in the north stretching through Central Asia and as far as the frontier of China, a high plateau in the Hazarajat and Kabul districts in the centre, the lowlands of Jelalabad and Laghman to the east, and the fertile valleys of Herat and Kandahar to the west.

Laos lies astride the Mekong River in the Indochinese peninsula. It has common boundaries with China and Burma in the north, Thailand in the west, Viet-Nam in the east and Cambodia in the south. The country covers nearly 237,000 square kilometres and consists of two areas, each with its distinctive physical characteristics. Upper Laos, cut by the Mekong River, is a complex of mountains, while Lower Laos extends from the crests of the Annamite Chain over the plateaux sloping westward to the Mekong.

Nepal, a rectangular area of over 140,000 square kilometres, is bordered on the north by Tibet and on the west, south and east by the Indian states of Uttar Pradesh, Bihar and West Bengal. The three regions of the country (i.e., the lower, central, and northern or Himalayan regions) have their own geographical and historical peculiarities. The lower region includes the tarai, or plains, and the forest-clad slopes of the lower hills; the central region is composed of a series of mountain ranges gradually rising from 4,000 to 10,000 feet; the northern region includes the main Himalayan chain with altitudes of 10,000 to 29,000 feet, on which forests grow up to 8,500 feet.

The density of the population in all three countries is relatively low—especially so in the case of the first two. In Afghanistan, no comprehensive census of population has been taken, but the most reliable figures released by Afghan officials indicate a total of 12 million inhabitants. The same uncertainty exists with regard to Laos, where population estimates range from 1.5 to 2 million. Nepal has perhaps about 8.4 million inhabitants.[1] If these figures are accepted, the density of the population per square kilometre is 18 for Afghanistan, about 6 to 8 for Laos and 60 for Nepal.

More than 90 per cent of the population of these countries is engaged in agriculture, but the total area under cultivation is very limited and, though no adequate measurements are available, it is generally considered that about four-fifths of Afghanistan and Laos are covered by mountains, and fully one-half of Nepal. It has been estimated that only about 3 per cent of Afghanistan's total area is cultivated, three-fourths of the tilled land lying north of the Hindu Kush in the sparsely populated valley of the Oxus River.[2] Nepal is estimated to have one-half of its area under forests, one-fourth cultivated or cultivable, and the rest either Alpine meadows or under perpetual snows.

Although these three countries are normally self-sufficient in food, shortages occur from time to time, largely because of drought, poor transport and the fact that much of the agricultural output is consumed on the farm and therefore not marketed. In consequence, imports of foodgrains are sometimes necessary. In Afghanistan, for example, drought and other adverse factors led to the importation of 10,000 to 40,000 tons of wheat from the United States in 1947, 1952 and 1953 and 1956. In Laos, occasional

[1] For the purpose of the first scientific census the country was divided into two zones—East Nepal and West Nepal. The census of East Nepal was taken in 1952 and showed a population of 3.76 million; that of West Nepal, taken in 1954, added 4.66 million. Census Commission, *Interim Census Report* (in Nepali), 1955.

[2] US Department of Commerce, *Basic Data on the Economy of Afghanistan*, (Washington, 1955), p.2.

rice shortages used to be met by imports from Cambodia and Viet-Nam. In 1957, the Government of Nepal estimated that 50,000 tons of rice were needed, of which 30,000 tons could be procured internally from districts where there was a surplus of foodgrains, and in November the Government approached the Union of Burma to see whether it could purchase 20,000 tons of rice. Apart from local shortages in poor years, even in good crop years there are large price differentials as between one part of the country and another.

Industry is under-developed and practically non-existent. All three countries, therefore, depend heavily on imports for their requirements of manufactured goods, capital equipment and consumer goods, including even many daily necessities. In Afghanistan, however, domestic cotton textiles have recently replaced a part of former imports, and imports of machinery and other capital goods have increased.

Thus, foreign trade, though uncertain and costly, is in a sense particularly vital for these countries. But foreign trade necessarily depends to an unusual extent on the policies of neighbouring countries, with which transit facilities have to be arranged.

It is not possible to obtain accurate foreign trade figures, since there is a considerable volume of unrecorded transactions arising out of the difficulties of establishing comprehensive customs control at the frontiers, particularly where such frontiers are not clearly marked and where the terrain facilitates smuggling.[1] However, in general terms, these countries' exports probably come to less than 10 per cent of national production, and finance only a small portion of imports. The main exports are agricultural and forest products. All three countries import more than they export and suffer from serious trade and payment deficits, especially when bad weather has cut down agricultural production. These deficits have in recent years been met (and made possible) largely by external aid.

In order to stand on their own feet, the countries will clearly have to develop their economies on a fairly considerable scale. Their governments, conscious of the need to accelerate the pace of economic development, are pursuing programmes of integrated economic growth through co-ordinated development plans.[2] In view of the preponderance of agriculture and lack of transport facilities, their plans place special stress on those sectors. However, in the face of financial and other difficulties, progress has been rather irregular to date and the plans are subject to frequent revisions, depending among other things on the availability of the required resources.

Of the numerous difficulties from which all under-developed countries of the region suffer, several are aggravated for the land-locked countries by reason of their special geographical situation. The two aspects which will be dealt with in particular below are lack of transport facilities and the related problem of transit trade, and secondly the inadequacy of the present monetary and financial system to sustain development in the basic agricultural and industrial fields.

TRANSPORE DIFFICULTIES

The main factor impeding the development of transportation in the land-locked countries is the generally rugged topography, breaking here and there into high mountain ranges. In Afghanistan, the Hindu Kush mountains running from north to south form a natural dividing line. The lowest mountains here are about 10,000 feet high, and the mountain chains branching out from the Hindu Kush extend over the whole area, forming narrow passes and valleys. Through these flow swift streams and rivers which tend to burst their banks during the rainy and flood seasons. In Laos, the mountains are lower, but still render many parts of the country inaccessible. In Nepal, even in the construction or expansion of the highway system to join important points, it is usually necessary to choose circuitous routes so as to by-pass the mountains and hills, which greatly increases the road-length required, or else resort to the expensive method of drilling long tunnels.

Afghanistan, in spite of its substantial size, has only 5,100 kilometres of gravel roads, of which only two-thirds are motorable all the year round. Unsur-

[1] For example, in Nepal, arrangements are only now being made for the establishment of a statistical organization to draw up a comprehensive range of statistics, including those on foreign trade. It is reported that, to start with, the proposed Department will compile the export and import statistics of Nepal for the last four years.

[2] Expenditure estimates from the plans of the three land-locked countries are shown in the following table (in millions).

Country	*Plan period*	*Unit of currency*	*Expenditure*			
			Total	*Agriculture and irrigation*	*Transport and communication*	*Manufacturing and mining*
Afghanistan ...	1956/57-1960/61	US dollars	215	71	86	37
Laos ...	1958-1962	Kips	6,897[a]	326[a]	3,636[a]	—
Nepal ...	Oct. 1956-Oct. 1961	Nepal Rupees	330	104	112	24

[a] Provisional figures only (from the proposed plan submitted to the Council of Ministers in August 1957).

faced roads (at times blocked by floods and snow) connect the principal cities and join the Pakistan highway system at Torkhama, about 60 kilometres from Peshawar, and at Chaman. In 1954/55, work started on widening the Torkhama-Kabul highway with the aid of a $2.3 million loan from the United States Export-Import Bank, and a road maintenance unit was established to train personnel in heavy construction techniques.

Laos has about 5,700 kilometres of roads and dry weather tracks, which are in most parts narrow and inadequately maintained. In all, there are about 1,900 kilometres of surfaced roads of which about two-thirds are in southern Laos. After the Second World War and till the country became independent, the standards of highway maintenance and the conditions of the roads deteriorated. Between 25 and 30 per cent of the public works reconstruction funds is now being spent on bridges and roads. Only certain sectors of the entire length of the Mekong River are usuable by vessels. The effective use of the River as a means of communication for Laos is limited by the existence of rapids.

In Nepal there are only 500 kilometres of roads, mostly in the capital and in the tarai region. There are in addition a number of footpaths, some of which are difficult even for pack animals. It was not till the advent of the democratic system of government in 1951 that some attention was paid to transport development. The main road of 125 kilometres (Tribhuvana Raj Path) from Kathmandu, the capital, to Raxaul, a railway terminus on the Indian border, was completed only in 1956, with the help of the Government of India under the Colombo Plan.[1] The five-year plan (October 1956 to October 1961) gives first priority to the development of transport, assigning to it over one-third of the total proposed development outlay.

Nepal is the only one of the three countries which has railways (127 kilometres); the main line runs from Amlekhganj to Raxaul on the Indian side. A further feature of Nepal's transport system is a ropeway (aerial cable) about 28 kilometres long constructed in 1927, connecting Dhursing with Matatirth near Kathmandu.

In Afghanistan and Nepal, air service was started quite recently. In Afghanistan, the Department of Civil Aviation has been particularly interested in establishing an international airport at Kandahar and in setting up a domestic airline. Two weekly flights to Kabul from New Delhi, Karachi and Tehran are scheduled, in addition to daily domestic flights. In Laos, which has its own airline, air communications are longer-established and more extensive than in Afghanistan or Nepal and provide in many parts of the country the only scheduled and regular service for passenger or cargo traffic. About fifteen airfields along the Mekong are supplemented by airfields in the uplands, mainly used for transporting cargo. In 1952, the airlines carried one-third the number of passengers and one-fifth the volume of freight transported by river carriers on the Mekong. In Nepal, there is a regular air service from Kathmandu to Patna (India) and, in addition to an all-weather airport at the capital, there are fair-weather landing strips at Simra, Bhairahawa, Pokhara and Biratnagar.

Even today, a substantial portion of Afghanistan's public transportation is provided by donkeys and camels or human backs. Laotian surface routes, being greatly affected by climatic conditions, do not offer dependable means of transportation throughout the year. Most of Nepal's internal and external trade is carried over inadequate tracks. The airlines, therefore, seem likely to have a big future role to play, and for non-local passenger transport, at least, air travel may become a serious competitor to road or river craft.

To sum up, such few roads or other communications as exist are concentrated in or around the capital cities and a few other centres and generally do not provide connexion with each other or with the networks in the neighbouring countries. In Afghanistan, "when northern karakul breeders complain about low returns for their lamb skins or when Kandahar consumers resent high prices for wheat and barley shipped from the south-west, they can blame the high cost of freight which is due to terrible roads."[2] In lower Laos, the provinces of Savannakhet, Thakhek, and Vientiane generally trade with each other and with Tonkin, not with the southern provinces. In upper Laos, the lack of transportation facilities for the movement of foodstuffs from surplus to deficit areas has resulted in local famines. In Nepal, there are no direct relations between some of the hilly parts in the interior (like Tansen and Doti) and the tarai region. Such conditions lead to differences in prices between one region and another, and to local shortages and gluts.

The first step to remedy this situation evidently lies in a co-ordinated development of the means of transport to provide adequate and economical trans-

[1] "At its highest point (the road) scales mountains 8,168 ft. high, then comes down as low as 2,300 ft., and again rises to a height of 4,700 ft when it approaches Kathmandu...At present the Government earns about Rs 1,000 daily as road cess." Colombo Plan Information Unit, *Nepal on the Road to Development*, (May, 1957) p.2.

[2] Human Relations Area Files, Yale University, New Haven, Connecticut, *Afghanistan*, (1956), p.247.

portation facilities. It is at the same time necessary to decide which modes of transport are easiest and cheapest to develop and which are most suited to the needs of the country. Except in Nepal's tarai or plains area, road construction has proved difficult and expensive. It was long felt that there was a need for a railway between Laos and its neighbours, and several projects were worked out, but, according to present indications, no railway will be constructed until the completion of the proposed five-year development plan. There is also a proposal in Nepal's five-year plan to extend the present narrow-gauge railway line up to Hitaunra, so as to serve the Rapti Valley (about 150 kilometres south-west of Kathmandu) now being extensively developed, and thus make that city a major exporting centre for forest and other products. However, experience shows that the construction of high-altitude railways, apart from lines that may be built in the foot-hills to link up with the transport system on the plains, presents many difficult engineering problems and is of doubtful economic utility. Roads, though costly in initial construction and subsequent maintenance, still appear to offer the more economic form of overland transport in mountainous areas,[1] while the aeroplane may well be an immediate answer to facilitate rapid development.

Since Nepal has a ropeway, whose capacity the five-year plan seeks to increase from 5 to 25 tons an hour, this form of transport deserves special attention. Ropeways are generally regarded as efficient means of moving bulky goods, and are preferred to roads for short hauls in mountainous countries like Switzerland and certain sections of France, Italy and Spain. For such hauls, ropeways could be made to play a larger role in the transportation of goods in the extremely rugged topography of Afghanistan and Nepal. In Afghanistan early in 1955 a British firm surveyed the Sadang ropeway project, intended to shorten the distance from the northern part of the country to Kabul. Further surveys at other suitable sites might be carried out advantageously.

SPECIAL CHARACTER OF TRANSIT TRADE

In land-locked countries, foreign trade can increase only if suitable transit facilities are accorded by neighbouring countries. More generally, foreign trade and communications are greatly influenced by the state of relations with these neighbouring countries.

In the past, Afghanistan's role as a buffer State between Russia and British India discouraged foreign companies and governments from developing modern communications within the country to link up with outside communications. There are formidable obstacles, too, in the form of high mountains, narrow rocky gorges, hot and dusty deserts—whether it is a question of linking up with the terminal points of international rail lines (at Kushka or Chaman) or of connecting Afghanistan's own business centres (Kandahar and Kabul, Kandahar and Herat, Kabul and Mazar-i-Sharif). The frontiers with Pakistan are in some cases impassable, since the central sectors of the eastern and most of the southeastern natural boundaries are studded with mountains and inhabited by impoverished and warlike Pushtu tribes.

Broadly, Afghanistan has three main routes of communication for transit trade with the outside world. The first is from Herat on the western border to Iran, the second goes northward through Mazar-i-Sharif across the Oxus River to the Soviet Union, and the third leads southeastward through Peshawar to the port of Karachi. The first route is of very little use, because of the long distance from Herat to the northeastern parts of Afghanistan and also from Herat, through the desert in southern Iran with its very few motorable roads, to the seaport of Chahbar on the Gulf of Oman. The second route, to the Soviet Union, is especially important to the northern parts of the country, and has been increasingly used since the second quarter of 1955. However, the Soviet railroad terminus of Kushka, a few miles from the Afghanistan border, is connected with Herat by a fair-weather road only. The third route, the most natural one, leads through Pakistan to the port of Karachi.

Both the Soviet and Pakistan routes entail transfer of freight from trucks to railway cars and ships. Before the opening of the Suez Canal and the development of modern sea transport, Afghanistan allowed traders and caravans to carry their goods across its territory without restrictions. The Anglo-Afghan Treaty, which was signed in 1921 and ratified in 1922, provided for transit trade facilities, and also covered other aspects of good neighbourly relation between the two countries. It emphasized the principle of freedom of transit and specified the administrative procedures in regard to the goods imported by the Afghanistan Government and other commercial imports destined for Afghanistan. In addition, the Anglo-Afghan Trade Convention, signed in 1923, incorporated detailed administrative provisions for carrying out the purposes of the Treaty. After the transfer of power in connexion with the establishment of Pakistan, the provisions of the above Treaty became a concern between the Government of Pakistan and the Government of Afghanistan, and the provisions of the Treaty and Convention have been applied to trade between Afghanistan and Pakistan.

[1] It is reported that in January 1958 Nepal and India signed a tripartite agreement (the United States to affix its signature subsequently) for the construction of 1,440 kilometres of roads in Nepal at a cost of Rs 34.3 million.

When the border with Pakistan was temporarily closed in May 1955, with consequent interruption of transit trade across Pakistan, Afghanistan concluded a Transit Agreement with the Soviet Union in June 1955, entitling both countries to enjoy transit facilities for five years. Soviet-Afghan trade has, in fact, been expanding gradually since 1953, accompanied by increasing Soviet economic assistance. On the other hand, the transit trade through the port of Karachi has not been dwindling; an important portion of exports and imports still passes through Pakistan. Available statistics show that in 1955/56 the percentage of imports of Afghanistan in transit through Pakistan increased by 41 per cent for woollen textiles; 54.7 per cent for foodstuffs and 6.6 per cent for tea over the 1954/55 level.[1]

In Laos during the period of French rule, great efforts were made to link the country's communication routes with those of Viet-Nam and Cambodia. As early as 1905, the Governor-General of Indochina advocated the construction of a railroad in order to consolidate the regime and make Saigon the port of this whole area. However, Laos is still fairly isolated, as it has only a few low-capacity road and ferry connexions with the neighbouring country of Thailand. As a result of political insecurity in 1952-1954, roads and communications in general deteriorated considerably. The most important route is the Mekong River, which provides a cheap means of transporting bulk cargo. A number of impassable rapids greatly limit the usefulness of this artery for access to the sea. . Since gaining independence, Laos has attempted to improve transit trade through Thailand. Formerly, the traditional transport route was from Vientiane, the capital, to Savannakhet to Saigon by road. Since 1956 use has been made of a new means of access to the sea through Thailand, utilizing the railway from Nong Khai to Bangkok.[2] Inauguration of this route has been instrumental in establishing fuller trade relations between these two countries. "The condition of transport through Thailand seems to be well established as a consequence of the last agreement. This system of transport is also begininng to develop in the direction of Paksé and Savannakhet by using branch lines of the railroad through Ubol in Thailand".[3] However, the inadequate network of surface routes has, as noted, especially stimulated the development of internal air travel.

Since time immemorial, Nepal has had direct trade relations with India and Tibet. The routes to the outer world lead southward to three different parts of India by air, by road, by bridle path and by ropeway; and northward to Tibet, mostly by bridle path. In ancient times, trade between Nepal and Tibet was not confined to goods of Nepali and Tibetan origin; Nepal used to export to Tibet imported goods, and to import from Tibet articles originating in various parts of China. With the growth of modern commerce, and owing to the still antiquated system of transport linking Nepal with Tibet, trade with India became increasingly important while that with Tibet gradually declined.[4] Generally the bulk of goods coming from India used to be transferred from the Indian metre-gauge railhead at Raxaul to the narrow-gauge Nepali railroad, then shipped to Amlekhganj for transfer by trucks to Dhursing, another 30 kilometres away, and thence by ropeway to Kathmandu. The completion and opening in 1956 of the main highway (Tribhuvana Raj Path) linking Kathmandu with Raxaul on the Indian frontier has proved important not only for the import of goods via India, but also for the expansion of the export trade and income of Nepal by opening up the Nepali hinterland, with its horticultural potential. A similar road, called Tika Bhairav, is under consideration, also for connecting the Kathmandu Valley with the southern part of Nepal.

Thus, each of the three land-locked countries is heavily dependent on one or another of its neighbours for transit trade—Afghanistan on Pakistan, Laos first on Viet-Nam and Cambodia and recently also on Thailand, and Nepal on India. Even with the gradual expansion of Soviet-Afghan trade since 1953, about 80 per cent of the exports from, and also of the imports into, Afghanistan passed through Pakistan in 1954/55. In 1955, of the total imports of Laos, 47 per cent came from or through Thailand, 51 per cent through Cambodia and southern Viet-Nam, and 2 per cent from Hong Kong by air. Of its total exports about 47 per cent went to, or through, Cambodia and southern Viet-Nam, and 53 per cent through Thailand. The proportion of trade with Thailand has probably gone up since. Almost all of the imports and exports of Nepal are with or through India, and the existing trade through Tibet, largely because of the difficulties of transport, is almost negligible.

In the early nineteenth century, countries in a favourable geographical position used to exact heavy transit duties. However, recognition of the special difficulties confronting land-locked countries caused

[1] Figures provided by the Ministry of National Economy, Kabul.

[2] Bangkok, the nearest port, is 500 kilometres from Vientiane, while Saigon is 1,200 kilometres away.

[3] Laos, Ministry of Public Works, *Sur la Situation Economicque du Laos*, 1957, p.3. The transit agreement of 1955 between Laos and Thailand is referred to below.

[4] The Treaty of Trade and Friendship between the Government of Nepal and the Central People's Government of the People's Republic of China signed on 20 September 1956 may encourage further trade between the two countries. However, difficulties of transport with and through Tibet are considerable.

transit duties to disappear almost completely towards the end of the nineteenth century. Subsequently, under the League of Nations various governments agreed to the Barcelona Convention on Freedom of Transit.[1] Article 33 of the Havana Charter, signed in 1948,[2] strengthened the provisions on freedom of transit in the Barcelona Convention, and more recently the General Agreement on Tariffs and Trade (GATT)[3] also made provisions for freedom of transit.

It is largely with the object of obtaining transit facilities that land-locked countries have concluded bilateral agreements with their neighbours. The Anglo-Afghan Treaty already referred to (signed November 1921, ratified February 1922), provided for duty-free transit trade at British Indian (now Pakistan) ports. The 1955 Afghan-Soviet Agreement on Transit Questions provides for duty-free transit through Soviet Territory of all categories of goods bought by Afghanistan in the Soviet Union or other countries. In July of the same year, an agreement between Laos and Thailand was signed, providing freedom of transit for the traffic of one country through the other. The Agreement provides that "goods in transit to the territory of either party to this agreement shall be accorded the in-transit rights in accordance with the principles and exceptions provided under the terms of the 'Statute on Freedom of Transit' of the Barcelona Convention and shall be subject to the laws and regulations in force in either country." Similarly, the Indo-Nepal Treaty of Trade and Commerce, signed on 31 July 1950, provides for freedom of transit.[4]

These agreements have generally been equitable to both sides, but the divergence between the interests of the country affording the transit facilities and those of the land-locked country have occasionally come into prominence. For example, one of the clauses of the Indo-Nepal Treaty stipulated that Nepal shall not levy duties on imports or exports at rates lower or higher than those in India. This was agreed upon by the two countries with a view to preventing possible smuggling or unfair competition between goods of Nepalese and Indian origin, since there are few customs houses on the Nepal border, in the plains. The Nepal Government considers, however, that Indian import and export duty rates are inappropriate for Nepal because imported commodities thereby become more costly and Nepalese exports to other countries are handicapped. Consequently a revised treaty (originally intended to be finalized by the end of 1957, but delayed) was expected to replace the provision requiring Nepal to levy customs duties equal to those in force in India on all exports to and imports from countries other than India by one leaving the imposition of customs duties on Nepalese exports and imports to its unrestricted discretion.

While the existing transit agreements afford facilities to the land-locked countries, various difficulties and problems arise, particularly in respect of administrative procedures and practices governing the various stages through which any commodity passes from the port of entry to its destination in the land-locked country.[5] These relate in particular to transport and storage facilities, procedures at the boundary, and customs handling of goods in transit.

In all three countries it would appear that, with very few customs houses along the borders, smuggling is widespread. In Afghanistan, there are at present only three major customs points for the official entry of imported goods, all of which are situated at a considerable distance from the large consuming centres, thus increasing the cost of transport for the movement of imports. A considerable volume of unrecorded trade is, however, carried on by the nomadic *powindehs* and others, operating practically unhampered owing to the small number of officially guarded passes. Similarly, in the other two countries, substantial unrecorded trade is carried on.

To avoid delays in the movement of goods from the point of transit to the destination, adequate administrative procedures and machinery to implement them should be established, where they are inadequate. Special attention could with advantage be given to the training of officials handling or dealing with transit trade, not only in the general principles of such trade but also in their administrative aspects. To facilitate the smooth and expeditious movement of

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1 This Convention, signed in 1921, entered into force on 21 October 1922 and, up to the Second World War, had been ratified by thirty-two countries. The Convention is still in force, and can be acceded to by any country desiring to do so. The deposit of ratification can be done with the Secretary-General of the United Nations.

2 The Havana Charter in an interpretative note to Article 33 (included in Annex P) provided that a member may grant to a country which has no direct access to the sea more ample facilities than those given in general.

3 Article 5 of the basic instrument of the GATT (signed on 21 April 1951) provides for freedom of transit, but its interpretative notes are less extensive than those to Article 33 of the Havana Charter, particularly in regard to the provision of special facilities to land-locked countries.

4 The Agreement was, however, modified in July 1953. Freedom of transit was somewhat qualified, but, on the other hand, India agreed not to levy excise duties on Indian exports to Nepal, such as cotton, sugar, salt, matches, cigarettes, tobacco and betelnuts.

5 In this connexion, it may be pointed out that the question of transit-trade facilities for land-locked countries was considered by the Commission at its twelfth session in February 1956 and again by the Sub-Committee on Trade at its second session in November 1956. See *Annual Report of the Economic Commission for Asia and the Far East* (doc. E/2821—paragraphs 270 and 271); *Report of the Sub-Committee on Trade* (second session), E/CN.11/I&T/129, paragraphs 82-84. A secretariat study on *Problems of Trade of Land-locked Countries in Asia and the Far East* (ECAFE/I&T/Sub.4/2) was also submitted to the Sub-Committee on Trade at its second session.

goods in transit, bonded warehouses could be constructed by the Government of Nepal in the ports of Calcutta and Bombay, by the Government of Afghanistan in Karachi, and by the Government of Laos in Bangkok, along lines followed by other land-locked countries such as Switzerland. Measures could also be taken, by mutual agreement, to reduce smuggling. Day-to-day problems could perhaps be amicably solved by establishing joint trade commissions similar to the one provided for in the Transit Agreement between Austria and Italy.[1]

UNDER-DEVELOPED FINANCIAL SYSTEM

A second factor holding back development is the lack of an adequate system of banking, money and public finance. Central banking has come to these countries only recently. In Afghanistan, Da Afghanistan Bank (the Central Bank) was founded two decades ago, in 1938, and there are at present six commercial banks with a few branches in important cities of the country. The National Bank of Laos was created in January 1955; in addition, there are four other private banks, with no branches, which deal primarily in the issuance of letters of credit and the sale of travellers' cheques. In Nepal, also, a commercial bank with the primary functions of lending and borrowing has been in operation for the past twenty years, but the Central Bank, known as the Rashtra Bank, started functioning only in April 1956. It should be added that, more than in most other countries of the ECAFE region, there exists in these three land-locked countries a wide gulf between the monetized urban sector and the largely non-monetized rural one. This limits the scope of application of monetary policy, which probably does not cover even one-quarter of the total transactions.

Not only the under-developed currency and banking system in these countries,[2] but also the fluctuating market exchange rate, has hampered economic development. The existence of fluctuating rates, associated with apparent over-valuation of their currencies, is largely due to deficit budgets, the absence of government control over foreign exchange and trade,. and certain peculiarities of financial custom and tradition.

In Afghanistan, during the early postwar period, there was a marked downward trend of the exchange value of the currency, and, in September 1953, when changes in policy were formulated under a new government, the Afghan currency depreciated considerably. In early 1957, the rate on the free market was around 50 Afghanis to the dollar, in comparison to the official rate which varied, by commodity, from 16.8 to 21 Afghanis to the dollar. Thus a multiple exchange rate system is operative. Different official rates are given by the Bank for the proceeds of lamb skins, karakul pelts and so on. The existing foreign exchange control law stipulates that all export earnings of karakul, cotton and wool must be surrendered to Da Afghanistan Bank, while earnings of other export items may be spent on imports by the exporter himself, or sold at the free market rate to any other firm engaged in foreign commerce. However, it appears unlikely that exports of karakul, cotton and wool will increase appreciably unless the gap between the buying rate of the Da Afghanistan Bank and the free market rate is narrowed. The Central Bank is said to have tended to "ignore open market dealings in foreign exchange for fear that regulatory attempts might cause foreign exchange to be drained out of the country through illegal channels".[3]

In Laos also, there is a great disparity between the official and the free market exchange rates—35 kips to the dollar as against 80-85 kips to the dollar.[4]

Nepal, even though a Central Bank was started in April 1956, has a system of "dual currency" under which both Nepali and Indian rupees continue to circulate[5]—the Indian rupee in the prosperous tarai districts, the Nepali rupee mostly in the Kathmandu Valley and the hilly districts generally. The exchange rate between them varies from time to time and from place to place. The continued depreciation of the Nepali rupee in terms of the Indian rupee is a serious problem. Although, as table 75 shows, the average degree of depreciation has been gradually reduced since the establishment of the Central Bank, which started the sale of Indian rupees at its own rate for the approved list of imports, the basic problem cannot be said to have been solved.

[1] The Agreement regarding utilization of the port of Trieste and the setting up of measures to facilitate and develop Austrian traffic through this port was concluded in October 1955. Article I reads: "The Italian Government and the Austrian Government, considering the volume of Austrian traffic through Trieste, have agreed to establish within the framework of the joint Austro-Italian Trade Commission, provided for by the Trade Agreement of 19 May 1949, a Joint Sub-Committee with equal membership for questions relating to Austrian overseas traffic via Trieste. The Sub-Committee shall be convened at the request of one of the two contracting parties."

[2] In Afghanistan, for example, although branch offices of the Bank Melli and Da Afghanistan Bank have been established in almost all major trading centres, currency still overshadows bank deposit money as a means of payment.

[3] *Economic Report of Afghanistan* (Istanbul, September 1955), presented by the Afghanistan Delegation to the Tenth Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund, p.35.

[4] At one time, in autumn 1956, the market rate reached 120 kips to the dollar.

[5] The Nepali rupee was formerly known as the mohur-rupee, a term which is still in local use to some extent.

Table 75. Nepal: Extent of Difference in the Bank Exchange Rate and the Market Rate, 1956-1957

(Nepali rupees per 100 Indian rupees)

Date of change in official rate	*Official rate*	*Market rates during the subsequent period (average)*
30 June 1956	150.50	155.00
6 August 1956	145.50	151.00
28 December 1956	140.50	146.00
21 January 1957	135.50	136.25
14 March 1957	130.50	135.00

Source: Rashtra Bank, Nepal.

Wide fluctuations in exchange rates and wide disparities between official and market rates have worked indirectly as hindrances to the development of the land-locked countries. The recurrent budget deficits during the past few years have in turn partly arisen from their economic development programmes —the investment outlays which have claimed fully a quarter of their total budgeted expenditures in recent years.[1] The budget deficits shown in table 76 indicate the recent position.

External aid has helped in each case to finance a part of the deficit, but it has not been possible to increase revenue since most sources are inelastic, and new money has been issued to fill the gap.[2] Though the data on the total volume of new money created are incomplete, the inverse relation between the free market value of the currency on the foreign exchange market and the amount of new money created is nevertheless quite clear. One analysis[3] has shown that during the past six years the fresh creation of money in Nepal has generally been followed by an adverse movement of the exchange rates, suggesting that deficit financing has been pushed beyond safe limits.

On the whole, given the under-developed monetary system and absence of any banking tradition, coupled with inadequate budgetary means and deficit financing, it is difficult to achieve accelerated and orderly economic development in these countries. Since foreign exchange earnings needed to finance imports are limited, experiments have been carried on with devices which have been at times unrealistic and largely ineffective. Neither the multiple exchange rate system of Da Afghanistan Bank (which, it has been estimated, controls only about 25 to 30 per cent of the country's total foreign exchange receipts), nor the rigid rate of exchange for imports and other transactions in Laos, nor the fixing of a rate for an approved list of imports by Nepal's Rashtra Bank has provided an adequate solution. The gulf between the monetrized sector of the economy and the non-monetized rural sector is moreover much wider than in most other countries of the region, as the former is almost entirely concentrated in the capital cities and a few other business centres. In sum, monetary policies have not yet crystallized, and much remains to be done all along the line both to carry modern money and banking practices into the remoter parts of the country and to enable finance to serve effectively the purposes of public policy.

THE NEED FOR AGRICULTURAL DEVELOPMENT

Development of their agricultural resources—including, in at least Laos and Nepal, their forest resources—is of great importance to these primarily agricultural countries. However, lack of access to the outside world has prevented the spread of improvements in methods and, because of uncertain rainfall, lack of irrigation facilities, and other deficiencies, crop failures have been common.

[1] In Afghanistan in 1955/56 and in Laos in 1955 the fraction appears to have been as much as about one-half.

[2] In Afghanistan total money supply increased from 1,130 million Afghanis in 1952/53 to 2,015 million Afghanis in 1955/56. (*Source:* Da Afghanistan Bank). In Nepal total money supply increased from about 30 million Nepali rupees in 1951 to 55 million Nepali rupees in September 1957 (*Source:* Ministry of Finance, Currency and Exchagne Department).

[3] Y.P. Pant, *Planning for Prosperity in Nepal* (Kathmandu, 1957), p.81-82.

Table 76. Afghanistan, Laos and Nepal: Government Budgets, 1955-1957

(Millions of national currency units)

Country and currency	*1955/56*			*1956/57*			*1957/58*		
	Revenue	*Expenditure*	*Deficit*	*Revenue*	*Expenditure*	*Deficit*	*Revenue*	*Expenditure*	*Deficit*
Afghanistan (Afghanis)....	1,989	1,301	–688	1,276	1,779	–503	...	...	...
Laos (Kips)	490[a]	1,169[a]	–679[a]	945[b]	1,145[b]	–200[b]	...	...	...
Nepal (Rupees) ..	34	45	–11	44	48	–4	58	66	–8

Note: The fiscal years are as follows: Afghanistan, 21 March to 20 March; Laos calendar year; Nepal, July to June. Figures are actuals for Nepal 1955/56, revised estimates for Nepal 1956/57 and Afghanistan 1955/56, and estimates in all other cases.

[a] For 1956. [b] For 1957.

Afghanistan is a pastoral country, rich in the production of wool and karakul skins for export. It also produces cereal crops, fruits, cotton, beet and cane sugar, and oilseeds. Table 77 shows the estimated output of the main agricultural products in two recent crop years.

Table 77. Afghanistan: Estimated Output of Main Agricultural Products, 1954/55 and 1955/56

(In thousand tons, unless otherwise specified)

Commodity	*1954/55*	*1955/56*
Wheat	2,090	2,100
Maize	664	175
Barley	279	280
Rice	270	250
Potatoes	108	...
Cotton	55	60
Beet and cane sugar	60	...
Fruits	676	...
Karakul (thousand skins)	2,032	...

Source: Ministry of Finance, Government of Afghanistan.

In spite of the relatively ample cultivable land, the output of food crops normally provides only a slender margin above the subsistence needs of the population. The precarious position of wheat—a dry-weather crop—in most parts of the country is caused primarily by the uncertain rainfall and lack of major storage reservoirs, as well as by the lack of fertilizers and insufficiency of organic matter. Fruit growing is a speciality in several regions and fruit exports help substantially to provide exchange for the import of essential consumer goods. Afghanistan's main export items have been karakul skins, raw wool, cotton, fruits and nuts, and woolen carpets. The first four products account for 80 to 90 per cent of the total value of current exports (see table 78). While these exports help to pay for imports, most of them reduce the land available for the production of food.

Table 78. Afghanistan: Value of Major Exports, 1951/52-1955/56

(In million Afghanis)

Fiscal Year	*Total export*	*Major export commodities*				
		Total	*Fruits*	*Skins*	*Wool, raw*	*Cotton, raw*
1951/52	731	618	266	163	124	65
1952/53	989	922	289	168	178	287
1953/54	950	797	298	181	149	169
1954/55	1,440	1,292	547	310	188	247
1955/56	1,352	1,121	537	295	148	141

Source: Ministry of National Economy, Kabul.

In Laos, only a small portion of the total surface area is suitable for wet-rice agriculture. Farming is of the subsistence type, depending primarily on rice and maize.[1] Exports, which consist mainly of tin and benzoin, pay for only a small portion of the imports of industrial products.[2] The balance was mainly financed by French aid up to 1954 and by United States aid since then.

Table 79. Laos: Domestic Exports, 1956

Item	*Millions of kips*	*Percentage*
Tin ore	16.28	36.8
Benzoin	8.62	19.4
Coffee	7.43	16.8
Wood	3.30	7.4
Cardamons	2.85	6.4
Cattle hides	2.65	6.0
Others	3.14	13.2
TOTAL	44.27	100.0

Source: *Customs Returns of Laos.*

In Nepal, again, many of the facts about agricultural production are not ascertainable statistically, even as concerns the current or recent situation, but it is known that more than 2.5 million hectares of land are now under cultivation.[3] The production of jute and rice, some of which is exported, is limited to the tarai region and the parts bordering on India. The hilly region exports only ghee, wax and medicinal herbs and roots.

[1] Rice production is reported to have risen from 510,000 tons in 1955 to 550,000 tons in 1956. For other crops the annual production is estimated at 12,000 tons for maize, 1,500 tons for ground-nuts, 600 tons for tobacco and 240 tons for coffee. (Colombo Plan, *Sixth Annual Report of the Consultative Committee*, Saigon, October 1957, p.85).

[2] The value of Laos' imports and domestic exports in 1955 and 1956 was officially given as follows (in million kips):

Year	*Imports*	*Exports*
1955	644	48
1956	1,291	44

Source: *Bulletin du Commerce Extérieur*, Direction des Douanes et Régies du Laos.

[3] Government of Nepal, "Problems of Agricultural and Economic Development of Nepal", paper submitted by the Government of Nepal to ECAFE's second session of the Working Party on Eonomic Development and Planning, (September 1957) p.2. Although accurate trade statistics are not available, it is generally agreed that Nepal usually has a surplus in its commodity trade. See *Economic Survey of Asia and the Far East, 1954*, p.158.

Table 80. Nepal: Aggregate Exports, 1952 to 1954

Item	*Millions of rupees*
Rice (husked and unhusked)	60
Foodgrains	25
Ghee	15
Hides and skins	20
Raw jute	40
Oilseeds	60
TOTAL	220

Source: *Trade Journal*, India, and Shanti Raksha Swayam Sewak Sangh (Kathmandu, 1954).

In all three countries, the expansion of agricultural production depends largely on irrigation, clearance of land and drainage, and governments have recently bent their efforts in these directions. Afghanistan depends largely on wells (worked by the so-called Persian wheels) for irrigation. In some very dry areas, water is stored in deep brick reservoirs built in natural depressions and often fed by underground springs. The main drainage systems are those of the Helmand, the Amu Darya and the Kabul rivers. Recent efforts by the Government have been devoted especially to the Helmand Valley reclamation and resettlement project, under which it is planned to resettle on newly reclaimed land about 30,000 families now residing in the area, and also landless nomads.[1] If work proceeds according to schedule, about half of that number will be settled by 1965. The success of the project is, however, dependent on the continued availability of physical and human resources on a substantial scale.

The Governments of Cambodia, Laos, Thailand and the Republic of Viet-Nam have been considering plans for developing the Mekong located within these countries. In 1951 and 1956 a reconnaissance of the Lower Mekong Basin was made by ECAFE; the United States also sent a mission to study the possibilities, and recently a United Nations survey mission, organized by the Technical Assistance Administration, has examined the prospects further. This project, which will be helpful in the economic development of the four riparian countries including Laos, provides for the development of hydro-electric power, improved navigation facilities, irrigation, drainage and land reclamation, and flood control. It is estimated that not less than seven easily accessible sites for hydro-electric power plants are located within reasonable distance of the potential load centres, and the topography of the river basin would permit the river flow to be diverted for irrigation. For Laos, the future development of inland navigation is dependent on the successful implementation of this project. It is estimated that the area of land under cultivation in that country could be multiplied several times by a more effective use of the Mekong waters to provide irrigation.

In Nepal, irrigation in the tarai region is mainly a matter of small streams and earthen dams developed over centuries by individual villages or groups of villages, with occasional help from the local government. It is known, however, that there are tremendous untapped water resources, with a vast hydro-electric potential, between the Mechi River on the east and the Mahakali on the west. Projects such as the Kosi, Trisuli and Kali (Krishna Gandaki) can be regarded as merely a beginning. The development of the Rapti Valley will serve as a major pilot project, helping to alleviate local unemployment and food shortages, and affording a training ground for Nepali administrators and technicians. This valley, 150 kilometres southwest of Kathmandu, includes a large tract of virgin territory with good land and water resources for potential development. The project has been under way since 1956. Scheduled to be completed in 1961, it seeks to develop the valley on a multiple-purpose co-ordinated basis. Activities carried out during the first year of the plan include the construction of 25 kilometres of the proposed 80-kilometre approach road, a fair-weather air strip and the setting up of a government demonstration farm. In addition, a few other river projects have been undertaken elsewhere for the reclamation of land on a limited scale. Various other irrigation schemes already completed or in hand will greatly help agricultural development.

Another set of problems common to all three countries are those connected with the prevalence of small holdings. In sparsely settled Afghanistan, in the absence of any strong class intermediary between the Government and the peasants, the farms consist of a large number of small holdings. In Laos, again, the population exerts no severe pressure on the land. Here, however, there are two basic systems of land-holdings—peasant proprietorship in the alluvial valleys and plains, and the village community system where shifting *(rai)* cultivation is practiced.[2] In Nepal also, land is generally cultivated in small holdings, but the prevailing systems of land tenure may be classified into three broad types—*zamindari, Birta* and *Kipat*, the exact form of each type in turn depending considerably on local custom and tradition. Under the *zamindari* system, the non-official agents, called *zamindars* in the plains areas and *zimmawals* in the hill districts, act as intermediaries between the government and the tenants, receiving a commission of about

[1] A major development effort in the Helmand Valley Project was started by the Government in 1946; up to 1955, four main irrigation programmes were completed.

[2] Tenancy and share-farming are not found among the *rai* farmers, and are very rare in wet-rice villages.

5 per cent of the revenue assessment, plus other benefits depending on local conditions. *Birta* land is "rent free" land given away by the Ranas, the former ruling family of Nepal, to their followers and relatives. The *Kipat* system prevalent in the eastern parts of the hilly regions is more or less independent of government control. Every successor to such land is obliged to surrender a part of his property to the Government. However, those tribes are so independent that it is difficult even to maintain law and order among them, not to speak of collecting dues. Nepal's five-year plan accepts the urgency of agrarian reform, but provides no detailed programme. However, a recent legislative enactment (August 1957) seeks to control rents of agricultural land and rates of interest, and prohibits eviction except in cases of non-payment of rent or non-use of the land. A recent recommendation of the Land Reform Commission that the *Birta* land be also taxed, at the same rate as *zamindari* land, is said to have been favourably considered by the Government.

Along with the handicaps imposed on agriculture in these three countries by their geographical isolation and rugged topography, a further difficulty, connected with the smallness of the holdings, is the shortage of private capital either for investment in long-term projects, such as irrigation, or for short-term agricultural loans. Owing to the limited size of the usual holdings and the high rates of rent, a large proportion of the cultivators cannot manage from one harvest to another without recourse to borrowing. Credit is necessary not only for subsistence but also to purchase cattle and carry out cultivation, as well as to meet other expenses on socio-religious occasions. However, credit is obtainable only at exorbitant rates of interest from money-lenders, landlords or merchants. As one United Nations study has observed, "The cummulative effect of exorbitant rates of interest paid by cultivators, low prices received from the sale of agricultural commodities and various malpractices of money-lenders who are also dealers in agricultural produce, is that debts, once contracted, keep on accumulating".[1] In recent years, the governments of these countries have been trying to introduce measures to provide credit facilities to the cultivators. In Afghanistan, an Agricultural and Cottage Industry Bank was established in 1953. In Laos the Government decided in 1956 to establish a public institution, the "Credit National Laos", to provide long-term and medium-term loans for the development of agriculture, trade and industry. In Nepal, it is expected that a special co-operative branch will be established by the newly set-up Central Bank, and will be organized to function in all the local offices of that Bank.[2]

Although forest resources could be expected to afford a promising basis for strengthening the national economies of all these countries, there has until recently been continuous and reckless exploitation. Afghanistan, which was at one time covered with forests, has in fact greatly depleted its resources as a result of continued cutting and the absence of any protective afforestation policy except in some areas in the extreme east. Consequently, in many parts of the country, it is necessary to fall back on poplars grown in irrigated groves as a source of building material for houses and for other local construction purposes.

The forest areas in Laos cover approximately 60 per cent of the country,[3] but large portions are not commercially exploitable since they are regrowth stands cleared periodically for *rai* or shifting cultivation—a great threat to the Laotian forest resource potential. In addition to agricultural crops, however, Laos exports timber and material for dyes, principally from the northern forests, which could be further developed. A project launched in 1954 to discourage the indiscriminate clearing of the forests is said to have had encouraging results, and a new programme of popular education in the field of forest conservation was planned to start in early 1958. Of late, the Government has been seriously considering setting up industries based on forest resources.

The potentialities of Nepal's forest resources are great. It has been estimated that, with only half the equivalent forest area, the Uttar Pradesh in India produces a ten times greater forest revenue.[4] In the autumn of 1956, the Government of Nepal announced a six-year forestry plan for the conservation and economic development of forest resources. Main aspects of this proposal included the division of tarai forests into well-defined circuits, officers' training, nationalization of private forests, wild life preservation and forest utilization and protection.

In the general scheme for expanding industrialization and raising the productivity of agriculture, forestry has an important supporting role to play in these countries. Roads will need to be built to open up stands, and a sound plan drawn up for the development of forest industries based on raw material availabilities and market outlets.

The recent efforts of the three governments in the agricultural field are encouraging. The first five-year plan of Afghanistan recognizes four principles in rural development: raising productive output and income by introducing modern techniques, organizing

[1] United Nations: *Credit Problems of Small Farmers in Asia and the Far East* (Sales Number: 1957, II F.2), p.12.

[2] Nepal, *Draft Five-Year Plan,* 1956, p.32.

[3] *Annuaire des Etats Associés,* 1953, p.181.

[4] M.D. Chaturvedi, *Proposed Forest Organization for Nepal* (Kathmandu 1954), p.ii.

and establishing recreational centres, providing a foundation for self-perpetuating economic and social progress and organizing a rural extension framework. The proposed five-year plan of Laos endeavours to stabilize food production in order to reduce foreign exchange outlays on rice, the staple food of the population. In the five-year plan of Nepal, one-fourth of the development expenditure is allocated to village development. Only a begininng, of course, has thus far been made. Along with larger agricultural output for domestic use, exports of agricultural products will have to be stepped up by the encouragement of cash crops such as sugarcane, cotton or jute, and the provision of greatly improved facilities for trade. Opportunities exist for substantially increasing exports by introducing scientific methods of cultivation, by properly grading and packing the produce and by organizing arrangements for the exports. The additional foreign exchange earninngs thus obtainable are needed in order to finance purchases of essential capital goods and other items from abroad.

PROBLEMS OF INDUSTRIALIZATION

Only during the last few years has a beginning been made in industrialization in the three land-locked countries. Such consumer goods as are produced are usually the work of craftsmen. The towns are centres of trading and administration rather than of production.

Afghanistan has various types of handicrafts. It also has two cotton mills, two woollen mills, a beet sugar factory, another sugar factory in Jelalabad nearing completion, a cement plant, a number of cotton ginneries and a few small match, soap and furniture factories. These works afford employment to about 20,000 workers in all. There are no modern industries in Laos, but handicraft production is widespread, and essential commodities are produced by small establishments—brickworks, pottery workshops, rice mills, distilleries, sawmills and so on. In Nepal, on the eve of the Second World War, a few modern industries were started with government aid in the eastern tarai districts of Morang and Dharan. So far, however, there are only two cotton mills, two jute mills, two cigarette factories, a few match factories and several small rice and flour mills scattered in different parts of the tarai region.

In all three countries, the government has taken steps to encourage the setting up of industry, but continuity and co-ordination of policy have been generally lacking.

In Afghanistan, it was the Bank Melli (the first commercial bank, founded in 1932) which supplied the necessary capital and management for the development of industries in the prewar period, particularly textiles and carpets. The Government did not at that time take direct steps to promote private industry. In September 1953, a new policy of government direction of business and industry was inaugurated, and various controls were imposed on the Bank Melli[1] with a view to removing some of the weaknesses in its operations which led to red tape and frustration of effort. Meanwhile, the Government has broadened its control over investment in new plant and has increased its own participation in industry, as is shown by the rise of Da Afghanistan Bank's (the Central Bank) investments in industrial development.

In Laos, a Department of Industry and Commerce under the Ministry of National Economy started functioning towards the end of 1956. There has been some increase in the number of sawmills in operation, construction of a plywood factory is projected and construction of a pulp mill is under study.

In Nepal, it would appear from the fragmentary data available that, during the past twenty years, increases in the number and productivity of manufacturing units, including cottage industries, have been at least offset by liquidations and uneconomic operations resulting in losses. After the winding up of a number of concerns some years ago, the Government withdrew its support from the development of industries. In September 1957, however, it announced a new industrial policy which recognizes the need to promote and assist the development of private industries by providing land, tax relief, reasonable tariff protection and industrial and economic surveys, and by obtaining technicians through foreign aid programmes. The five-year plan also refers to the necessity of priorities, specific objectives and targets for industrial development, all of which "will, however, be set only after surveys and research provide the necessary data for specific industrial plants".[2]

A number of impediments to industrialization in these countries may be noted—apart from other generally familiar to almost all countries of the region. One is a failure thus far to exploit the productive potentials in minerals, which are in all probability substantial. In Afghanistan, even after more than fifteen years of continued efforts by the Government, mineral production has remained relatively stationary. Preparations for the working of a cement factory are under way. Other minerals such as chrome, beryl and sulphur have only recently received attention. Although it is estimated that there are ten million tons of coal deposits, located in various sections of

[1] Most important of these controls were: the sale of at least 63 per cent of the Bank's stock in the North Cotton Company to the Ministry of Industries, government control over textile selling prices, and the sale to the Government of at least 51 per cent of the Bank's stock in the General Electric Company.

[2] Nepal, *Draft Five-Year Plan*, p.55.

the country, only two mines—both north of the Hindu Kush mountains—are now in operation. In April 1955, a geological survey section was established within the Ministry of Mines and Industries. Upper Laos, regarded as rich in minerals, has not been systematically surveyed. The recently established Industrial Development Board is said, however, to have a programme of mining surveys and mineral prospecting: Nepal has just entered the preliminary stage of exploratory and investigation work on minerals, with the help of experts from the United Nations Technical Assistance Administration, the Geological Survey of India and the United States International Co-operation Administration.

Secondly, the general lack of transport facilities previously referred to has not only been a result of lack of development but has also adversely affected industrial and general economic development. Most existing industries are dependent on raw materials from agriculture and animal husbandry, the regular supply of which is occasionally disturbed by transport difficulties.

Thirdly, there is a shortage of power. Numerous rivers and streams (particularly in Afghanistan and Nepal) possess a combination of sufficient discharge, suitable drop, and available storage essential to the generation of hydroelectric energy on a fairly large scale. Since the Second World War, hydroelectric power development has in general been catching up with incrased demand, but up to now it does not seem to have expanded sufficiently in any of these countries. Besides two power stations in Kabul, there are only a few scattered diesel-driven generators of small capacity[1] in all of Afghanistan. Apart from two power stations in Kathmandu, there are practically no sizable stations in Nepal. In Laos, the power generated by the National Electricity Board and the Phontiou tin mine is inadequate to meet even present needs.

A fourth important obstacle to industrialization is the small supply of industrial labour. Since these countries are sparsely populated, there is a relative shortage of surplus rural labour even for the existing urban industries. The problem of unemployment has never been studied in these countries, and, in the circumstances, it is scarcely a matter of urgency. In Afghanistan where there is a ban on the employment of women in offices, factories, most services and even hospitals, there is increasing recognition by the Government that such discrimination is undesirable. The problem of labour supply is also affected by the absence of any form of organization in the labour market, one result of which is that wages and working conditions vary a great deal from region to region.

[1] The Sarobi project near Kabul, whose first stage was completed in mid-1957 to add 22,000 kw of hydroelectric capacity to the existing capacity of 11,300 kw, has helped to supply hydroelectric power to a few cotton mills.

The most promising field for immediate development appears to be in small-scale and cottage industries. In Afghanistan, carpet weaving, the making of fur coats and vests, and hand-loom weaving are well established. Of these products, however, only carpets are exported to any extent. In Nepal, woodwork and carpentry have flourished for centuries in the valleys, and the country has produced its own style of figure and relief carving for window framing and other architectural purposes. Such industries are not necessarily anachronistic in a scheme of industrial regeneration for a land-locked country.[2] The Governments can, perhaps, play a large part in accelerating the pace of industrial development. In this connexion, consideration might among other things be given to establishing an Industrial Development Corporation with a view to ensuring that the development of industries in the country should be harmonious and well-balanced. Such a corporation has in fact been recently set up in Nepal as a quasi-governmental body.

At the same time there is, again, a need to provide better transport facilities if industries are to flourish. This is bound to be a rather slow process. The land-locked position of these countries, as already noted, aggravates their international transport difficulties. Domestically, the cost of transporting heavy products to distant consuming centres is high, particularly in hilly districts, and, as a result, the market is circumscribed. In some cases industries may have to be encouraged which will satisfy only the demand of local and nearby markets.

INADEQUACY OF DOMESTIC RESOURCES OF DEVELOPMENT: THE NEED FOR FOREIGN AID

It is clear that the strictly limited domestic resources of the land-locked countries which they can mobilize at the present time are inadequate to support rapid economic development.[3] Foreign aid in the form of equipment, supplies and technical personnel facilitates domestic investment and provides initial impetus towards growth. The necessity for such help is all the more apparent because recent expansions of investment in new productive capacity have strained both domestic finance and foreign exchange resources. In all these countries, therefore, the role of foreign aid has come to be highly important. Foreign loans and grants are expected to finance one-fourth of the total of planned expenditures in Afghanistan; they finance virtually all such expenditure in Laos; they account for more than one-half of the total in Nepal.

[2] For example, a highly advanced country such as Switzerland has also developed a system of small-scale industries adapted to its circumstances.

[3] Since the working population of these countries is almost entirely in the low-productivity primary sector, per capita income is inevitably low—probably around $50 a year. No actual estimates exist.

In Afghanistan, the revenue of the Government, though it had grown by 1953/54 to about 6 per cent of national income, has not been able to keep pace with expanding government expenditure. Afghanistan was one of the first countries (in early 1951) to request technical assistance from the United Nations under its Expanded Technical Assistance Programme, and is now receiving an average of about forty experts per year. The United Nations Children's Fund and various United Nations specialized agencies (International Civil Aviation Organization, International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, World Health Organization) are helping the Government in a number of projects. United States aid, which has been available since fiscal year 1952, added up to about \$39 million of obligations and \$10 million of expenditures by mid-1957 under the International Co-operation Administration and its predecessors, plus substantial amounts of wheat under Public Law 480. A large portion of the funds allocated for agricultural development was in connexion with the Helmand Valley Projects.[1] Soviet Union assistance has also been forthcoming in recent years in a number of fields, including civil aviation. In 1954, the government announced a loan from the Soviet Union equivalent to \$3.5 million for the construction of warehouses, a flour mill and a bakery under supervision of Soviet Union technicians. A credit of over \$100 million repayable over 30 years was also granted by the Soviet Union in early 1956.

During the last three years, Laos has relied heavily on foreign aid, which has financed the military budget, imports and economic development.[2] The country receives one of the largest per capita allotments of United States aid of any nation in the world[3]—partly in direct aid goods for the use of the Government and partly in commercial aid imports paid for by Laotian importers in kips, which are deposited in a counterpart fund to be used for economic development, national defence and other purposes. Laos has also received the services of experts from the United Nations and member countries of the Colombo Plan.

Nepal too has been receiving assistance from the United Nations and its agencies and from Australia, the United Kingdom, United States,[4] New Zealand, mainland China, and India for the training of technicians. Some of the developmental projects also are implemented with the help of these countries. To help carry out the first five-year plan, a sum of Indian Rs 100 million is expected from India[5] and the equivalent of Rs 25 million from the United States. Under the Nepal-China Aid Agreement signed in October 1956, a sum of Rs 60 million for the following three years was to be made available to Nepal by the People's Republic of China for the implementation of the plan. The Soviet Union is also said to have offered to contribute to the five-year development plan.

The magnitude, form and continuity of foreign aid must, of course, be taken into account when development programmes are formulated, as far as uncertainties regarding the size and the timing of such assistance allow this to be done. Ideally, "the problem could be solved if the size of external assistance over a period of years could be agreed upon between assisting and assisted countries. This would enable more precise foreign exchange budgeting and would lead to a qualitative improvement in the development programme".[6] This is perhaps too much to expect, particularly when foreign aid is being received from several different sources simultaneously, but it is gratifying that most of the foreign aid now being extended to the land-locked countries covers a period of years.

In some respects the shortage of skills and technicians in an under-developed country may be even more crucial than the shortage of capital. Many of the problems common to all three land-locked countries stem from the dearth of technical personnel and the lack of technical and scientific education, which their developmental plans have only served to emphasize. For example, many projects have had to be undertaken in these countries without accurate and detailed advance surveys. With the increasing im-

[1] By mid-1955 three major Point Four projects were under way: (1) the Helmand Valley advisors, assisting in engineering, health and farm and community aspects of the irrigation and reclamation programme; (2) the University of Wyoming team, concentrating on agricultural education and extension, both at the centre and in demonstration stations in the field, and (3) the Columbia Teachers' College team, working on teacher training curricula. Peter G. Frank, "Economic Progress in an Encircled Land," *The Middle East Journal*, Vol.X, No.1, p.57 (1956).

[2] In 1956 economic aid amounting to 1,540 million kips was received from the United States. French economic and technical aid amounted to 160 million kips for 1955 and 1956. (Colombo Plan, *Sixth Annual Report of the Consultative Committee*, Saigon, 1957, p.91).

[3] The total United States aid for fiscal 1957 amounted to \$44.4 million (*Ibid*, p.195), or \$22 - \$30 per head of population, depending on the population estimate selected.

[4] The United States has been extending economic assistance to Nepal since 1951. Up to mid-1957 United States expenditures totalled about \$5 million (obligation, \$10 million) of which \$1,600,000 was for flood relief in fiscal year 1955.

[5] Of this amount, assistance of Rs.14 million is said to have already been received by Nepal by the end of 1957. The main projects completed so far with assistance from India are: the Tribhuvan Raj path, Kakrahwa-Lumbini Road, Gauchar airfield, Mahado Khola and Tika Bhairav irrigation projects and Pokhara water works.

[6] United Nations, "Economic Development and Planning in Asia and the Far East 1955" (E/CN.11/412), p.54.

portance of developmental activities, the supply of technical and managerial personnel will have to be ensured if the targets postulated in the plans are to be achieved. The question is whether the personnel who are to assume the new responsibilities can be trained fast enough, and in adequate numbers. Efforts are being made to improve educational standards and the general efficiency of civil servants, but actual requirements are difficult to meet.

Temporarily, the shortage of skilled personnel can be solved, in part, by importing personnel from outside; for example, by hiring foreign technicians, bringing in foreign instructors to train local technicians, and so on. In the long run, however, everything depends on the growth of an efficient class of skilled labour and technical personnel in the country itself.

CONCLUSION

The developmental problems of the land-locked countries are all the more difficult to solve because their geographic position has kept them in comparative seclusion until quite recently. The unfamiliar demands of technical change are compounded by the equally unfamiliar demands of greater interdependence with the rest of the world.

Banking and currency facilities will clearly have to be improved. Trade will have to be expanded, and adequate transit facilities will have to be afforded them by neighbouring countries, if they are to develop their resources, increase their tax revenue and step up imports and customs receipts. Their transport system, especially road transport, will have to be greatly extended in spite of the difficult terrain, and co-ordinated with those of their neighbours—preferably by means of joint transportation projects, as in the agreement recently signed by Nepal.

Trade deficits can be bridged for a time by foreign aid or other foreign capital. Or conceivably they could be avoided by moving backwards, reducing interdependence and eliminating imports. The only fundamental solution in line with the forward drive toward greater economic development, however, is to build up local production and exports. The tourist trade, as a source of invisible exports, appears to hold promise, especially in Afghanistan and Nepal, for the time when hotel accommodations as well as transport facilities will have been substantially improved. Agricultural and mineral wealth can certainly be developed, and local processing industries set up. Handicrafts and other small-scale industries are clearly important. The experience of land-locked but developed countries like Switzerland and Austria in developing their export industries may be of help in showing how industrialization can be achieved.

In view of the limited growth of local private enterprise to date, the public sector will undoubtedly have to play a very active role in these countries both in fostering development directly and in providing conditions under which private enterprise can gradually assume its share of the task.

ASIAN ECONOMIC STATISTICS

List of Tables

UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "dollars" relate to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.	Mn = million.
‡ = 12 months beginning April of the year stated.	... = not available.
† = 12 months ending September of the year stated.	— = nil or negligible.
∅ = 12 months ending June of the year stated.	r = revised figures from this issue.
I, II, III, and IV for quarters of years.	Figures in italics are provisional.
	Figures in brackets are from national sources.

Substantial breaks in the homogeneity of a series are indicated either by a horizontal line across the column or by vertical double lines in a row of figures.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever feasible; material supplied by governments, publications of governments, of the United Nations specialized agencies and of international commodity study groups have been used as additional sources.

A. AREA AND POPULATION

	Area (Sq. Km.)	Latest census		Estimates of midyear population (thousand)						
		Date	Population	1937	1952	1953	1954	1955	1956	1957
Afghanistan	*650,000*	—	—	10,972	..	..	..	..	..	..
British Borneo:										
Brunei	5,765	27/11/1947	40,657	35	50	56	58	63	66	73
North Borneo	76,112	4/ 6/1951	334,141[a]	295[b]	347	355	364	373	383	395
Sarawak	121,914	26/11/1947	546,385	440	581	592	602	614	626	..
Burma	677,950	1/ 2/1953	2,940,704[c]	15,635	18,859	19,045	19,242	19,434	19,856	20,054
Cambodia	175,000	14/ 2/1921	2,403,000	3,046[d]	..	..	..	..	4,359	..
Ceylon[e]	65,610	20/ 3/1953	8,097,895[f]	5,725	7,940	8,155	8,385	8,589[g]	8,929	..
China:										
Taiwan	35,961	16/ 9/1956	9,863,264[k]	5,530	8,000	8,261[m]	8,617[m]	8,907[m]	9,240[m]	9,506[m]
Mainland	9,761,012[h]	30/ 6/1953	582,603,417[i]	446,930	568,910[j]	581,390[j]	594,830[j]	608,185[j]	621,225[j]	..
Hong Kong[n]	1,013	7/ 3/1931	840,473	1,135	2,250	2,250	2,277	2,340	2,440	2,583
India	3,288,375	1/ 3/1951	356,879,394	303,626	367,530	372,300	377,130	382,390	387,350	392,440
Indonesia	1,491,562	7/10/1930	60,412,962	67,398	78,300	79,700	81,100	82,600	84,000	85,500
Japan	*369,766*	1/10/1955	89,275,529	70,040	85,500	86,700	88,000	89,000	90,000	90,900
Korea	220,792	1/10/1944	25,120,174[p]	21,528	..	30,000	..	..	..	..
Southern Korea	96,929[r]	1/ 9/1955	21,526,374[q]	..	21,206	21,376	21,212[s]	21,526[sq]	21,844[s]	22,168[s]
Laos	237,000	14/ 2/1921	820,000	1,012[d]	*1,356*	*1,320*	*1,360*	*1,425*[d]	*1,450*	..
Malaya, Federation of	131,287	18/ 6/1957	6,276,915	4,083	5,506	5,706	5,889	6,058	6,252	6,277
Nepal	140,753	..	..	6,000	..	..	..	*8,555*	..	..
Eastern		15 Jeth 1952[t]	3,764,757	..	3,765	..	..	..	..	..
Western		15 Jeth 1954[t]	4,666,780	..	..	..	4,667	..	..	..
Pakistan	944,824	28/ 2/1951	75,842,165	..	78,912	80,062	81,228	82,439	83,603	84,777
Philippines	299,404	1/10/1948	19,234,182	15,445	20,646	21,039	21,440	21,849	22,265	22,690
Singapore	742	18/ 6/1957	*1,456,000*[u]	651	1,079	1,123	1,167	1,213	1,264	1,467
Thailand	514,000	23/ 5/1947	17,442,689	14,492	19,193	19,556	19,925	20,302	20,686	21,076
Viet-Nam[v]	329,600	14/ 2/1921	15,580,000	18,972[d]	..	25,880	26,000	26,300	26,600	..
Southern Viet-Nam	170,831	14/ 2/1921	3,800,000	..	..	..	..	9,668	12,366	..

Source: United Nations Statistical Office and governments.
GENERAL NOTE: For explanatory notes on the coverage of population for India, Japan, Federation of Malaya and Singapore, see United Nations Demographic Yearbook 1956.
a. Excluding 1,442 transient and 66 men of British armed forces.
b. Excluding population of Labuan, transferred from Straits Settlement in 1946 (population 7,507 at census 1 April, 1931).
c. De jure population in 252 towns approximating the urban area of the Union; these are the results of the first stage of a multi-stage sample census.
d. 31 December estimate.
e. Population excluding non-resident military and shipping personnel, numbering 36,606 at 1946 census.
f. Population actually enumerated; total, both sexes, including 0.7% adjustment for underenumeration is 8,154,580.
g. Estimates for this and previous years not yet revised to accord with latest census.
h. Derived figure by subtraction of area of Taiwan and Outer Mongolia from the total of 11,418,174 square kilometres, which is published in the *Statistical Abstract of the Republic of China, 1956.*
i. Excluding the oversea Chinese and Chinese students abroad. Source: *Communique of the State Statistical Bureau of China on the Development of National Economy and the Results of the Implementation of the State Plan for 1954.*
j. Excluding the oversea Chinese and Chinese students abroad. Source: *Tung Chi Kung Tso* (Statistical Bulletin), No. 11, June 14, 1957.
k. Including Quemoy and Matsu Islands.
m. Excluding foreigners and armed force.
n. Civilian population. p. De jure population.
q. Excluding alien armed forces, civilian aliens employed by armed forces, and foreign diplomatic personnel.
s. 1 September estimate. t. Nepalese calendar.
u. Excluding Christmas Island.
v. Comprising former Annam, Cochin-China and Tonkin.

B. CRUDE RATES OF LIVE BIRTHS AND DEATHS PER ANNUM

Number of live births or deaths per 1,000 persons.

	British Borneo			Burma	Ceylon	China (Taiwan)[d]	Hong Kong	India[e]	Japan[f]	Malaya, Federation of[g]	Singapore	Philippines	Thailand
	Brunei	North Borneo	Sarawak										
(1) *Live births*													
1935-1939	...	...	...	32.1[b]	35.6	44.7	...	33.8	29.2	40.2	46.0	33.6	34.9
1940-1944	...	...	...	...	37.3	45.8[a]	...	29.1	30.4	40.7[a]	44.8[a]	32.5[a]	35.2
1945-1949	45.2[a]	19.0[a]	14.0[a]	...	39.0	41.1[a]	...	27.0	29.9	40.5[a]	46.4[a]	30.5[a]	25.1
1950	50.7	26.6	22.2	...	40.4	43.3	26.8	24.9	28.2	42.0	45.7	(32.4)	28.4
1955	57.3	31.6	22.9	37.1[c]	37.9	45.3	38.7	27.0	19.4	43.0	47.8	(34.1)	(34.2)
1956	(61.9)	32.5	25.2	35.9	36.4	44.8	39.7	27.4	18.5	45.5	48.2	(34.7)	...
1957													
Jun	...	...	...	...	...	36.1	31.3	23.9	15.4	55.3	...	...	...
(2) *Death*													
1935-1939	...	...	...	22.0	24.5	20.2	...	22.6	17.4	20.8	22.1	16.7	16.4
1940-1944	...	...	...	...	20.1	18.3[a]	...	22.6	16.3	20.1[a]	20.8[a]	16.6[a]	17.3
1945-1949	19.7[a]	13.3[a]	5.9[a]	...	16.3	13.7[a]	...	18.6	17.0	17.5[a]	12.5[a]	13.1[a]	13.3
1950	18.1	11.9	11.2	...	12.6	11.5	8.2	16.1	10.9	15.8	12.1	(11.4)	10.0
1955	14.0	11.0	7.1	21.1[c]	11.0	8.6	8.2	11.7	7.8	11.5	8.7	(9.9)[h]	(9.2)
1956	(13.7)	10.2	6.6	21.8	9.8	8.0	7.9	11.6	8.0	11.3	8.1	(10.5)	...
1957													
Jun	...	...	...	...	...	11.4	7.5	12.4	7.2	16.3	...	...	...

Source: United Nations Statistical Office, except figures in brackets which are from national sources and may not be comparable with previous figures.
a. Average of less than 5 years.
b. Registration area only, representing 82.5 percent of total population at 1931 census.
c. Data for certain towns only, numbering 59 in 1953, 61 in 1955 and 62 in 1952 and 1954, and having a population of approximately 2 millions.
d. Beginning 1949, excluding foreigners. Data excluding births among tribal aborigines but rates are computed on population including them. Births excluding live-born infants dying before registration of birth.
e. Data for Part "A" states and for Coorg and Delhi of Part "C" states (registration area). Prior to 1947, registration area of former British provinces, representing approximately 75 per cent of former India, not including Burma.
f. Japanese nationals in Japan only. Beginning 1952 including Tokora Archipelago, and beginning 1954 including Amami Islands acquired from Ryukyu Islands on 5 December 1951 and 25 December 1953 respectively.
g. Prior to 1941, territory of former British Malaya, i.e. including Singapore.
h. Data for registration area only, comprising about 90 per cent of total population.

C. INDEX NUMBERS OF AGRICULTURAL PRODUCTION

1934-38=100

	All Commodities	Food	Cereals	Per capita food production	Per capita cereal production
TOTAL WORLD (Excluding China mainland, USSR and eastern Europe)					
1953/54	130	132	128	105	102
1954/55	131	132	122	104	96
1955/56	135	135	127	105	98
1956/57	138	139	130	106	99
ECAFE REGION					
Including mainland China					
1953/54	106	107	106	85	85
1954/55	109	109	106	86	84
1955/56	111	111	110	86	86
1956/57	114	114	114	87	87
Excluding mainland China					
1953/54	114	116	115	92	91
1954/55	117	118	113	92	88
1955/56	121	121	117	94	91
1956/57	124	124	122	95	93
BURMA					
1953/54	88	87	81	71	66
1954/55	89	88	83	71	67
1955/56	90	89	84	71	67
1956/57	97	95	92	74	72
CEYLON					
1953/54	146	143	137	98	94
1954/55	153	153	191	103	128
1955/56	160	162	216	105	140
1956/57	157	157	165	98	103
CHINA (Taiwan)					
1953/54	121	120	126	78	81
1954/55	126	124	130	77	81
1955/56	126	124	124	74	75
1956/57	133	131	138	76	80
INDIA (1936-38=100)					
1953/54	118	120	125	97	101
1954/55	118	120	117	96	94
1955/56	120	122	121	96	95
1956/57	122	123	125	95	97
INDONESIA					
1953/54	116	108	105	90	87
1954/55	123	114	117	93	96
1955/56	119	111	108	89	87
1956/57	119	112	109	88	86
JAPAN					
1953/54	100	107	94	85	75
1954/55	110	117	105	92	83
1955/56	128	136	127	106	99
1956/57	126	134	114	103	88
KOREA, southern (1930, 1934 & 1936=100)					
1953/54	107	110	118	75	81
1954/55	112	111	111	76	76
1955/56	111	111	107	75	72
1956/57	100	99	94	66	63
MALAYA, Fed. of					
1953/54	127	103	128	71	88
1954/55	133	114	129	76	86
1955/56	142	115	132	74	85
1956/57	143	123	152	77	95
PAKISTAN (1936-38=100)					
1953/54	108	116	113	94	92
1954/55	112	120	115	96	92
1955/56	109	112	100	89	79
1956/57	115	121	118	94	92
PHILIPPINES					
1953/54	136	145	151	104	108
1954/55	137	146	151	103	107
1955/56	145	154	158	106	109
1956/57	148	156	161	106	109
THAILAND					
1953/54	177	166	190	120	137
1954/55	153	136	132	97	94
1955/56	179	162	169	113	118
1956/57	192	174	193	119	132

Source: FAO.

GENERAL NOTE: Food crops comprise the following: Cereals, sugar, root crops, pulses, oilseeds, fruits, vegetables, beverage crops, and livestock and dairy products. Cereals including: rice, wheat, maize, millet, sorghum, barley, oats, and rye. Commodities other than food including: tobacco, fibres, linseed and rubber.

D. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1934 to 1938	1948 to 1952	1954	1955	1956	1957	1934 to 1938	1948 to 1952	1954	1955	1956	1957
RICE (Paddy)												
Afghanistan	...	...	180	...	...	...	...	333	270	...	...	...
British Borneo												
Brunei	2	3	2	2	...	...	2	5	4	2	3	...
North Borneo	33	33	...	29	(28)	(28)	20	42	...	53	...	(50)
Sarawak	241	198	...	...	...	...	148	116	...	...	...	...
Burma[a]	4,931	3,758	3,931	3,968	4,048	...	6,971	5,309	5,804	5,873	6,464	...
Cambodia	650	1,127	1,050	1,050	1,250	1,100	700	1,372	800	1,200	1,530	1,100
Ceylon	344	442	486	520	426	...	340	572	649	741	561	...
China (Taiwan)	666	762	777	751	(784)	...	1,642	1,682	2,108	2,009	2,223	...
Hong Kong	...	16	9	...	9	...	...	37	25	...	28	...
India	23,741	30,092	30,735	31,105	31,635	...	32,309	33,383	37,387	40,915	42,890	...
Indonesia	6,321	5,876	6,613	6,570	6,692	...	9,987	9,441	11,747	11,257	11,389	...
Japan	3,169	2,982	3,038	3,079	3,096	3,239	11,501	11,939	11,392	14,818	13,080	14,196
Korea, southern	1,216	(994)	(1,069)	1,089	1,097	(1,103)	2,726	(2,618)	3,001	(3,103)	2,503	*(3,179)*
Laos	424	825	500	600	...	...	297	540	400	510	...	...
Malaya, Federation of	297△	343	351	348	(350)	...	513	635	662	678	(786)	...
Pakistan	7,562	9,003	9,593	(8,856)	9,083	...	11,169	(12,151)	12,816	(11,080)	13,718	...
Philippines	1,963	2,350	2,656	*2,743*	*(2,783)*	...	(2,086)	(2,738)	3,203	*3,273*	*(3,364)*	*3,380*
Thailand	3,370	5,211	4,524	5,356	5,826	...	4,357	6,845	5,709	7,334	8,318	...
Viet-Nam, southern	4,382[b]	...	2,162	2,139	2,541	...	...	...	2,312	2,631	3,412	...

D. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Contd.)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1934 to 1938	1948 to 1952	1954	1955	1956	1957	1934 to 1938	1948 to 1952	1954	1955	1956	1957
WHEAT												
Afghanistan	...	...	2,025	...	...	...	...	1,700	2,124	...	...	...
China (Taiwan)	1	14	11	13	(16)	...	1	13	15	19	(27)	...
India	10,802	9,290	10,681	11,136	12,297	13,310	7,411	6,087	8,017	8,919	8,707	9,214
Japan	684	743	671	661	657	615	1,288	1,375	1,516	1,468	1,375	1,252
Korea, southern	135	(95)	116	121	123	(144)	100	(84)	131	108	118	*120*
Pakistan	3,766	4,217	4,310	4,311	4,568	*4,733*	3,183	3,682	3,742	3,223	3,368	3,647
BARLEY												
India	2,669	3,128	3,528	3,362	3,392	3,478	2,258	2,384	2,952	2,916	2,793	2,788
Japan	764	982	1,012	992	978	928	1,758	2,020	2,583	2,408	2,340	2,067
Korea, southern	867	624	731	753	790	(814)	862	(601)	(948)	795	837	(731)
Pakistan	197	223	248	217	235	221	153	150	158	125	150	134
MAIZE												
India	2,970	3,349	3,768	3,689	3,741	...	2,210	2,165	2,986	2,595	3,068	...
Indonesia	2,048[c]	2,020	2,518	2,042	2,176	...	1,978[c]	1,536	2,721	1,971	1,905	*2,007*
Japan	51[d]	40	46	50	50	...	75[d]	57	56	100	83	...
Pakistan	329	393	434	429	429	...	364	384	433	456	463	...
Philippines	695	969	1,394	1,675	*(1,568)*	...	427	696	770	907	*920*	...
MILLET AND SORGHUM												
Ceylon (millet)	...	39	(65)	(52)	41	...	...	17	(27)	(17)	14	...
India	27,705	32,500	36,802	36,159	35,102	...	13,484	12,045	16,883	13,959	14,506	...
Japan (millet)	129	112	91	82	75	...	159	127	95	114	97	...
Korea, southern	210	(217)	162	167	(165)	...	133	(112)	91	(101)	(91)	...
Pakistan	1,215	1,421	1,299	1,415	1,478	...	504	581	578	610	622	...
SUGAR (cane and beet)												
Afghanistan (beet)												
Centrifugal (raw value)	...	...	...	4	...	...	...	4	6	6	*7*	...
Burma												
Centrifugal (raw value)	21△	21△	36△	36△	*38*	...	23	*12*	*18*	*24*	*44*	...
Non-centrifugal							78	72	113	145	*136*	...
China (Taiwan)												
Centrifugal (raw value)	116	85	78	(79)	(92)	...	1,030	*626*	(755)	(795)	*866*	...
Non-centrifugal							29	12	15	20	(28)	...
India												
Centrifugal (raw value)[e]	1,326△	1,672△	1,616△	1,847△	1,834	2,031	1,090	1,413	1,881	*2,134*	*2,340*	...
Non-centrifugal: gur[f]							2,680	2,988	*2,540*	*2,413*	*2,359*	...
Indonesia: Djawa & Madura[g]												
Centrifugal (Telquel)	...	...	85	98	...	...	913	286	718	*851*	*785*	...
Non-centrifugal	...	...	...	...	...	...	73	*82*	*250*	*250*	*250*	...
Japan												
Centrifugal (raw value) (beet)	17	13	14	17△	...	...	39	21	44	53	66	*84*
Non-centrifugal (Cane)	6	4	3	2	7	...	4	22	*26*	*29*	*32*	...
Pakistan												
Centrifugal (raw value)[eh]	...	304△	412△	391△	403	...	30	57	95	112	*120*	...
Non-centrifugal, gur							650	705	1,220	1,180	*1,180*	...
Philippines												
Centrifugal (raw value)	235	171	268	271	279	...	(897)	827	1,244	1,105	1,047	*1,089*
Mascavado and Panocha							(55)	(40)	(60)	(58)	*(134)*	...
Thailand												
Centrifugal (raw value)	...	58	96	103	105	...	*19*	*34*	*40*	*53*	*54*	...
Crude brown							*15*	*19*	*30*	*30*	*30*	...
POTATOES												
India	182	237	266	280	280	...	1,833	1,647	1,764	1,869	...	...
Japan	151	209	212	210	208	*204*	1,622	2,451	2,743	2,908	2,749	*3,198*
Korea, southern	...	42	44	...	48	...	...	227	234	...	272	...
SWEET POTATOES AND YAMS												
Cambodia	2	1	...	...	...	...	18	25	39	...	...	...
China (Taiwan)	126	232	248	246	(230)	...	1,279	2,100	2,557	2,437	(2,568)	...
Ceylon	...	15	16	16	12	...	...	36	43	55	47	...
Hong Kong	...	4	4	...	...	...	...	17	10	...	...	...
India	...	150	167	193	157	...	...	901	1,330	1,580	1,252	...
Indonesia	206	265	285	279	374	...	1,459	1,750	2,111	1,898	2,494	...
Japan (sweet potatoes)	248	402	354	376	386	365	3,060	6,074	5,226	7,180	7,073	...
Korea, southern (sweet potatoes)	15	42	46	(43)	46	...	114	271	394	(416)	364	...
Malaya, Federation of	...	19	8△	9△	(9)△	...	...	198	...	...	...	...
Philippines	84	113	180	182	180	...	202	465	740	808	...	...
Viet-Nam, southern (Sweet potatoes & manioc)	105[i]	...	(21)	(51)	(50)	...	228[i]	...	(231)	(245)	...	...
SOYBEANS												
Indonesia	331[c]	381	525	515	497	...	236[c]	270	400	346	345	...
Japan	326	348	430	385	383	...	321	376	376	507	455	...
Korea, southern	393	(249)	258	269	(270)	...	280	(131)	160	149	(153)	...
Thailand	3	17	22	21	24	...	4	14	22	20	22	...

D. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Contd.)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1934 to 1938	1948 to 1952	1954	1955	1956	1957	1934 to 1938	1948 to 1952	1954	1955	1956	1957
GROUNDNUTS (in shell)												
China (Taiwan)	30	80	94	96	(98)	...	50	57	66	67	(82)	...
India	3,246	4,379	5,483	5,136	5,302	(4,004)	3,196	3,196	4,194	3,924	4,151	...
Indonesia	237[j]	285	324	298	313	...	263[j]	280	406	339	350	...
Japan	8	16	27	26	32	...	12	21	39	47	50	...
Philippines	7	(23)	28	29	*(29)*	...	4	(16)	18	*18*	*(18)*	...
Thailand	...	63	79	78	81	...	...	60	92	94	101	...
Viet-Nam, southern	...	...	(6)	(20)	(16)	...	...	...	...	(20)	(12)	...
COTTON SEEDS												
Afghanistan	*75*	...	...	...	...	...	*20*	*14*	*27*	*25*	*39*	...
Burma	198	*108*	*150*	*162*	*162*	...	39	*28*	*42*	*35*	*41*	...
India	8,486	5,660	7,561	8,085	8,030	*(5,915)*	1,474	968	1,503	1,422	1,678	...
Korea, southern	...	129	120	112	(115)	...	...	42	31	38	(32)	...
Pakistan	1,495	(1,245)	(1,293)	1,431	1,453	...	578	(488)	(570)	(604)	(618)	...
Thailand	6	34	34	32	39	...	3	14	15	17	21	...
COPRA												
British Borneo												
North Borneo	...	...	...	...	...	...	13	20	27	(23)	(30)	(30)
Sarawak	...	...	...	...	...	...	3[k]	3	3	...	...	...
Ceylon	...	...	...	...	...	...	215	234	220	293	263	...
India	...	...	...	...	...	...	160	*178*	*183*	*185*	...	...
Indonesia	...	...	...	...	...	...	715[m]	*700*	*770*	*730*	...	...
Malaya, Federation of	...	...	...	...	...	...	188	141	167	146	157	...
Philippines	...	...	...	...	...	...	583	(831)	942	1,103	1,140	*(1,264)*
Viet-Nam, southern	...	...	...	...	...	...	28	16	19	20	22	...
TEA												
Ceylon △	226	228	233	229	231	...	104	140	166	172	170	...
China (Taiwan)[n]	42	35	41	43	*(43)*	...	12	10	13	15	([illegible])	...
India △	309	314	320	320	320	...	178	280	292	302	304	...
Indonesia	198	61[p]	68[p]	68[p]	66	...	75	32[q]	47[q]	44[q]	43	...
Japan △	39	28	35	38	42	...	49	40	68	73	71	...
Pakistan △	44	(31)	30	31	31	30	26	(20)	24	24	25	...
Viet-Nam, southern	6[b]	...	(5)	(5)	(8)	...	11[b]	...	(2)	(3)	(4)	...
TOBACCO												
Burma	40	52	*54*	*54*	*55*	...	45	45	48	49	51	...
China (Taiwan)	1	7	6	6	(8)	...	2	9	11	14	(15)	...
India[s]	365	331	369	342	373	...	343	247	272	248	263	...
Indonesia[s]												
Estates	27[c]	13	12	(11)	...	...	44	8	7	7	(7)	...
Farms	149	106	141[t]	145[t]	151[t]	...	67	(65)	61	43	60	...
Japan	35	52	69	75	76	...	64	90	113	150	153	...
Korea, southern	12	16	24	20	(20)	...	13	21	29	26	(26)	...
Pakistan[s]	142	69	78	99	83	...	151	70	88	129	96	...
Philippines	67	(44)	53	75	76	...	35	(25)	30	38	*(50)*	...
Thailand	10	33	54	56	56	...	9	27	53	56	58	...
Viet-Nam, southern	10[b]	...	(3)	(13)	(8)	...	8[b]	...	(3)	(7)	(7)	...
COTTON (LINT)												
Afghanistan	*75*	*63*	*111*	...	...	...	*3*	*7*	*14*	*12*	*20*	...
Burma	198	*108*	*150*	*162*	*162*	...	21	*15*	*22*	*18*	*22*	*16*
India	8,486	5,659	7,561	8,085	8,030	*5,915*	737	485	752	711	840	...
Korea, southern	...	129	120	112	*115*	...	...	22	17	21	*17*	...
Pakistan	1,495	1,248	1,289	1,431	1,453	*1,374*	289	245	284	309	309	...
Thailand	6	34	34	32	39	...	2	7	8	8	11	...
JUTE												
India	349	581	503	704	762	*596*	345	643	531	761	766	...
Pakistan	856	(678)	503	661	(498)	...	1,154	(959)	846	(1,014)	1,000	...
HEMP FIBRE												
India[u]	...	(285)	242	249	...	...	*100*	135	121	125	...	...
Philippines (Abaca)[v]	292	285	217	217	*(232)*	...	*183*	*105*	*110*	*118*	*137*	...

Source: FAO, except figures in brackets which are from national sources.

GENERAL NOTE: (1) Area relates generally to area harvested except those with the symbol △ which relate to planted areas. (2) Average for 1934 to 1938 and for 1948 to 1952 do not in all cases cover the precise periods indicated. (3) For further details see the notes in the *Yearbook of Food and Agricultural Statistics 1956.*

a. Excluding Putao, Chin Hills, Shan States and Karenni.
b. For Tonkin, Annam and Cochinchina.
c. Djawa and Madura only.
d. Including dry equivalent of maize harvested green.
e. White sugar, raw basis, direct from cane refined from gur and khandasiri.
f. For direct consumption as gur, of which about 90% is for human consumption.
g. Calendar year, Telquel and estates only excluding small holdings.
h. Excluding palm sugar production, estimated at 115,000 tons annually.
i. Annam and Tonkin only for 1936 and 1937.
j. Djawa, Madura, Bali and Lombok.
k. Exports of copra and coconut-oil in copra equivalent.
m. Copra Fund purchases and unrecorded exports to Malaya; excluding unrecorded exports to the Philippines.
n. Crop areas relate to mature area or area of plucking.
p. Mature area of estates at end of year.
q. Estate production including processed raw product purchased from small holders.
s. Calendar year.
t. Harvested area on small holdings in Djawa and Madura.
u. Sunn hemp, area is for fiber, green manure and fodder.
v. Area refers to crop year beginning in the year stated. Production refers to calendar year represents balings, plus an allowance of 10 per cent for unbaled fiber.

E. RAILWAYS: LENGTH AND ROLLING STOCK

	1938	1948	1952	1953	1954	1955	1956	1957	1938	1948	1952	1953	1954	1955	1956	1957
	Length of Railways (Km.)								*Number of Locomotives*							
Burma[a]	1,280	1,104	1,110	1,110	1,110	1,112	...	...	369	274	312	312	312	312	...	...
Cambodia	339	...	...	...	...	385	...	...	...	...	...	...	...	...	...	...
Ceylon[bc]	1,530	1,438	1,442	1,444	1,445	1,446	1,446	1,446	249	239	248	253	256	270	273	276
China:																
Taiwan	882	917	939	950	951	951	950	950[e]	205	253	249	257	252	252	252	250[e]
Mainland	...	...	24,232	24,690	25,447	26,931	29,071	...	900[d]	2,477[d]	...	...	...	...	...	...
Hong Kong[f]	...	36	36	36	36	36	36	36	17	19	16	16	16	16	18	16
India[g]	59,126[h]	40,035	49,221	49,500	49,746	50,205	50,316	...	8,488[h]	8,194	8,572	8,587	8,627	8,803	9,288	...
Indonesia	7,332	3,617	6,640	6,640	6,640	6,640	6,640	...	1,279	584[i]	1,004	1,045	1,063	1,065	1,064	...
Japan[j]	17,934	19,752	19,850	19,903	20,008	20,046	20,093	20,186	4,245	6,283	5,444	5,468	5,486	5,474	5,425	5,387
Korea, southern	...	2,558	2,800	2,805	2,768	2,846[k]	2,910[k]	2,938[m]	...	656	626	629	578	527[k]	528[k]	528[m]
Malaya, Fed. of	...	1,730	1,839	1,962	2,090	2,092	2,097	2,098	...	201	188	189	191	193	196	200
North Borneo	209	...	187	187	187	187	187	187[n]	...	11	16	14	14	16	19	16[n]
Pakistan[p]	...	11,162	11,264	11,264	11,291	11,338	11,337	11,337	...	1,286	1,303	1,313	1,286	1,317	1,256	1,238
Philippines[q]	...	866	942	942	942	962	964	964	...	82	96	95	94	94	125	133
Thailand	3,100	3,213	3,333	3,333	3,333	3,377	3,469	3,471[m]	200	339	456	431	372	387	380	380[m]
Viet-Nam, southern[s]	2,569	968	1,044	1,048	935	1,127	1,202	...	...	...	...	114	...	...	...	...
	Number of Passenger Cars								*Number of Freight Cars*							
Burma[a]	1,167	479	705	708	753	742	...	...	9,690	6,912	5,957	5,830	7,101	7,511	...	...
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Ceylon[bc]	1,324	1,276	1,695	1,731	1,731	1,769	2,176	2,164	2,286	2,764	2,958	3,092	3,315	3,370	3,352	3,367
China:																
Taiwan	498	456	595	568	569	571	578	639[e]	4,654	5,703	5,470	5,453	5,483	5,530	5,368	5,275[e]
Mainland	1,200[d]	3,694[d]	...	...	...	...	3,033	...	12,000[d]	31,354[d]	...	...	...	...	...	...
Hong Kong[f]	44	35	36	36	36	48	55	51	...	90	262	243	234	227	227	215
India[g]	26,338[h]	20,979	21,340	22,177	22,793	23,335	23,880	...	221,509[h]	214,320	215,798	224,938	229,724	234,187	243,192	...
Indonesia	3,600	2,021	2,741	2,813	3,024	3,038	14,261	14,464	27,236	16,690	23,560	23,282	23,925	23,311	23,169	...
Japan[j]	11,533	14,070	14,108	14,335	13,900	14,119	1,144[k]	1,184[m]	75,292	107,716	109,500	106,626	106,732	106,703	106,223	107,157
Korea, southern	...	1,321	674	665	766	974[k]	337	353	...	9,318	11,117	11,117	10,777	11,934[k]	11,522[k]	10,834[m]
Malaya, Fed. of	...	289	293	298	320	327	41	40[n]	...	4,967	5,029	5,122	5,231	5,194	5,441	5,478
North Borneo	...	22	33	32	23	36	2,687	2,698	...	80	158	169	166	141	175	170[n]
Pakistan[p]	...	2,987	2,690	2,883	2,651	2,681	333	333	...	34,702	38,349	38,469	39,530	41,329	40,638	40,397
Philippines[q]	...	218	365	367	351	344	658	722[m]	...	1,902	1,908	1,850	1,811	1,829	1,835	1,872
Thailand	322	453	593	616	622	660	...	...	3,833	5,346	6,129	6,401	6,201	6,212	6,596	6,774[m]
Viet-Nam, southern[s]	...	...	...	...	...	...	...	...	...	...	...	...	...	114	...	...

Note: The figures show stock under the control of the railways of the country i.e., the stock of the railways plus that hired from, less that leased to, other. Stock on short term loan to or from other countries is not considered to be leased or hired. The railways to which the figures refer are those open to public traffic excluding urban and suburban tramways, cable and funicular railways. Privately-owned stock registered in the railway administration is considered to be under the control of the railway in question. The time of year to which the stock refers is the end of the working year in most cases.

Locomotives: All vehicles with engines or motor and motive power or with motors only (electric locomotives) designed exclusively for transporting themselves and hauling other vehicles. Excludes railcars.

Passenger stock: All passenger carrying cars including railcars, baggage cars and railway-owned postal vans.

Wagons (freight cars): All goods-carrying cars excluding baggage vans and cars used exclusively for service traffic.

a. End of September.
b. Broad gauge and narrow gauge.
c. For passenger cars and freight cars, figures are in units of four wheels.
d. Excluding Manchuria.
e. End of August.
f. For number of freight cars: 1948 through 1953: Including 6 goods wagons converted to temporary 3rd class passenger cars. 1954: including 5 goods wagons converted to temporary 3rd class passenger cars and 3 goods wagons converted to mail wagons. 1955 through 1957: including 5 goods wagons converted to temporary 3rd class passenger wagons, 3 goods wagons converted to mail wagons, and 4 goods wagons converted to army ration wagons.
g. Broad gauge and metre gauge.
h. Including territory now under Pakistan.
i. Excluding locomotives under repair.
j. Government Railways only.
k. As of the end of year.
m. End of June.
n. End of September.
p. Number of locomotives, passenger cars and freight cars that are on rail.
q. Manila Railroad Company.
s. Prior to 1954, including northern Viet-Nam.

F. ROADS: MOTOR VEHICLES IN USE

	1938	1949	1952	1953	1954	1955	1956	1957
	Number of Passenger Cars							
British Borneo								
Brunei	...	0.05	0.35	0.58	1.08	0.67	0.86	1.40[a]
North Borneo	...	0.16	1.18	0.93	1.24	1.39	1.55	...
Sarawak	0.19	0.16	0.62	0.71	0.85	1.13	1.46	...
Burma	6.9	10.9	9.7	12.4	12.9	15.2	...	...
Cambodia	...	...	2.0	2.8	3.1	3.9	5.0	...
Ceylon	21.0	27.6	45.6	49.8	51.8	55.2	59.1	62.6 [b]
China (Taiwan)	...	1.64	2.58	3.26	3.88	4.77	5.59	5.73[c]
Hong Kong	...	6.39	11.64	13.00	15.13	17.43	20.22	22.57[b]
India	88.1[d]	119.9	161.6	168.4	173.7	186.0	202.4	...
Indonesia	53.1	17.6	41.0	59.6	61.1	63.6	70.0	...
Japan	59.3	30.3	88.4	114.7	138.5	153.3	181.1	196.3 [e]
Korea, southern[f]	...	3.0	2.4	3.7	5.0	6.6	8.4	9.3 [e]
Laos	0.3	0.20	0.40	0.44	0.51	0.72	1.68	2.65[b]
Malaya, Federation of	20.5[g]	19.76	44.85	50.37	52.52	57.02	63.94	71.99
Pakistan	...	14.6	35.8	31.6	33.4	25.0	28.2	...
Philippines	30.4[h]	34.6	50.1	50.9	54.1	58.7	65.8	...
Singapore	10.20	12.71	29.57	33.16	36.21	41.96	47.23	49.34[i]
Thailand	5.1	6.3	16.0	19.1	18.1	23.2	...	...
Viet-Nam, southern[j]	10.80	12.01	13.48	17.00	22.12	31.18	32.45	...
	Number of Commercial Vehicles							
British Borneo								
Brunei	...	0.18	0.72	0.91	0.80	1.06	1.06	1.27[a]
North Borneo	...	0.37	0.75	0.66	0.72	0.81	0.84	...
Sarawak	0.11	0.18	0.74	0.67	0.63	0.68	0.78	...
Burma	14.0	22.0	11.0	9.8	11.4	15.4	...	...
Cambodia	...	...	3.0	3.6	3.9	4.1	4.3	...
Ceylon	6.9	12.5	17.6	19.0	19.6	21.5	23.3	26.1 [b]
China (Taiwan)	...	3.37	5.65	6.26	6.65	7.13	7.27	7.50[c]
Hong Kong	...	2.23	3.03	3.16	3.34	3.66	4.08	4.56[b]
India	36.4[d]	86.1	118.7	130.2	150.2	156.1	175.6	...
Indonesia	16.9	18.7	36.4	51.2	52.7	55.2	60.7	...
Japan	91.9	131.2	218.5	244.6	271.2	286.6	335.7	375.6 [e]
Korea, southern[f]	...	10.0	8.3	9.0	10.0	11.1	16.1	17.0 [e]
Laos	0.15	0.14	0.49	0.61	0.86	1.03	1.34	1.60[b]
Malaya, Federation of	6.5[g]	15.14	19.88	20.56	20.02	21.29	22.74	24.66
Pakistan	...	8.2	16.1	17.9	18.2	22.0	22.2	...
Philippines	18.3[h]	51.4	55.3	56.1	57.7	60.2	68.5	...
Singapore	3.00	7.03	9.69	10.06	10.30	10.92	11.75	12.35[i]
Thailand	5.1	5.7	18.8	23.0	24.6	27.6	...	...
Viet-Nam, southern[j]	3.10	6.09	9.64	10.95	11.74	11.64	15.51	...

Note: Trams, trolley-buses, special and government service vehicles are excluded.

Passenger cars: Motor cars seating less than eight persons, taxis included, motor-cycles excluded.

Commercial vehicles: Including lorries (trucks), buses, tractor and semi-trailer combinations; excluding trailers, farm and road tractors.

a. End of October.
b. End of September.
c. End of July.
d. 1939; British India, excluding Indian States.
e. End of June.
f. As of end of March.
g. 1940.
h. 1937.
i. End of August.
j. Prior to 1954 including northern Viet-Nam.

G. INTERNATIONAL PAYMENTS

BURMA (*million kyats*)	1954	1955	1956	First half 1956	First half 1957
Goods and services	-180	21	13	60	*-200*
Exports,[a] f.o.b.	1,118	1,116	1,091	553	*637*
Imports,[a] c.i.f.	-1,100	-931	-930	-412	*-780*
Transportation and insurance	- 2	- 5	- 6	—	*- 5*
Government, n.i.e.	-173	-137	-115	- 58	*- 41*
Other	- 23	- 22	- 26	- 22	*- 12*
Private donations	- 33	- 25	- 23	- 10	*- 12*
Private capital	- 5	21	10	7	—
Official donations	8	—	32	6	*74*
Official and bank capital	172	- 13	- 5	- 55	*162*
Long-term capital:					
Debt repayments	-135	- 75	—	—	—
Other	- 33	- 1	- 4	- 3	*8*
Short-term capital:					
Liabilities to IMF	—	- 15	71	71	—
Other liabilities	- 9	2	4	1	*91*
Sterling balances	426	174	-260	-167	*95*
U.S. dollar balances	- 30	42	60	42	*- 43*
Other foreign assets	- 46	-139	123		*11*
Monetary gold	—	—	—	—	—
Net errors and omissions	37	- 4	- 26	- 8	*- 22*

CEYLON (*million rupees*)	1954	1955	1956	First half 1956	First half 1957
Goods and services	349	384	137	101	*- 63*
Exports,[a] f.o.b.	1,724	1,893	1,772	905[b]	*881*[b]
Imports,[a] c.i.f.	-1,384	-1,478	-1,576	-744[b]	*-848*[b]
Transportation and insurance	78	56	41	- 16[b]	*- 48*[b]
Investment income	- 47	- 61	- 50	- 15	*- 25*
Other	- 22	- 26	- 50	- 29	*- 23*
Private donations	- 67	- 78	- 83	- 48	*- 33*
Private capital	- 49	- 56	- 20	- 5	*- 14*
Official donations	24	17	28	1	*2*
Official and bank capital	-235	-256	- 14	- 30	*196*
Long-term capital:					
Portfolio security holdings	- 48	- 12	- 48	- 24	*- 49*
U.K. loan repayment	29	2	—	—	—
IBRD Subscriptions and loans	5	9	9	3	*12*
Government borrowing in U.K.	67	—	—	—	—
Short-term capital:					
Liabilities	- 5	- 1	- 6	- 5	*- 9*
Foreign assets of Govrnment & Central Bank	-247	-162	- 33	- 63	*213*
Foreign assets of commercial banks	- 36	- 92	64	59	*29*
Monetary gold	—	—	—	—	—
Net errors and omissions	- 22	- 11	- 48	- 19	*- 88*

CHINA (Taiwan, *million U.S. dollars*)	1954	1955	1956	First half 1956	First half 1957
Goods and services	-131.4	- 70.9	-107.6	- 54.5	- 22.4
Exports,[a] f.o.b.	95.9	127.1	124.1	66.1	90.9
Imports,[a] mainly c.i.f.	-204.9	-184.7	-222.1	-116.2	-116.6
Government, n.i.e.	- 13.9	- 7.1	- 5.2	- 1.9	1.0
Other	- 8.5	- 6.2	- 4.4	- 2.5	2.3
Private donations	- 0.1	1.3	- 0.4	- 0.1	—
Private capital	10.7	1.8	5.0	1.3	2.2
Official donations	88.4	90.4	65.2	33.3	21.8
Official and bank capital	32.8	- 24.8	45.7	19.7	- 1.8
Long-term capital:					
Official loans received	2.0	0.7	20.0	10.0	20.8
Other	- 2.5	2.8	- 1.4	- 0.9	0.8
Short-term capital:					
Payment agreements	9.7	- 8.4	25.0	7.9	- 1.6
Other liabilities	—	—	12.3	9.9	2.1
Banks' deposits abroad	23.4	- 18.9	- 6.3	- 6.4	- 23.4
Other assets	1.5	0.2	- 2.3	—	- 0.1
Monetary gold	- 1.3	- 1.2	- 1.6	- 0.8	- 0.4
Net errors and omissions	- 0.4	2.2	- 7.9	0.3	0.2

INDIA (*million rupees*)	1954	1955	1956	First half 1956	First half 1957
Goods and services	-248	-390	-3,142	-840	
Exports,[a] f.o.b.	5,476	6,525	6,301	3,267	
Imports,[a] c.i.f.	-6,394	-7,383	-10,109	-4,397	
Transportation and insurance	236	284	318	145	
Investment income	- 47	- 40	115	67	
Government, n.i.e.	76	119	46	56	
Other	405	105	187	22	
Private donations	62	445	517	204	
Private capital	74	-111	89	- 45	
Official donations	146	348	355	236	
Official and bank capital	11	-344	2,394	668	
Long-term capital:					
US loans	—	11	140	—	
IBRD loans	9	20	140	9	
Other	41	104	11	79	
Short-term capital:					
Repayment of IMF resources	-222	-193	- 60	- 60	
Other liabilities	194	-111	185	166	
Foreign assets[c]	- 11	- 175	1,978	474	
Monetary gold	—	—	—	—	
Net errors and omissions	- 45	52	-213	-223	

INDONESIA (*million U.S. dollars*)	1954	1955	1956	First half 1956	First half 1957
Goods and services	- 29	103	-159	-123	- 91
Exports,[a] f.o.b.	774	881	843	408	413
Imports,[a] c.i.f.	-583	-548	-824	-442	-410
Transportation and insurance	- 26	- 26	- 25	- 13	- 15
Investment income	- 97	-108	- 61	- 26	- 23
Other	- 97	- 96	- 92	- 50	- 56
Private donations	1	—	1	—	—
Private capital	- 2	2	1	- 7	- 2
Official donations	2	1	1	1	—
Official and bank capital	28	-106	160	131	94
Long-term capital:					
Gold and U.S. dollar subscription to IMF and IBRD	- 18	—	—	- 12	—
Loans received	- 7	- 20	20	- 3	1
Other	5	3	3	6	3
Short-term capital:					
Use of IMF resources	15	—	28	- 15	—
Foreign assets, net	- 23	- 98	72	128	86
Monetary gold	56	9	37	27	4
Net errors and omissions	—	—	- 4	- 2	- 1

JAPAN (*thousand million yen*)	1954	1955	1956	First half 1956	First half 1957
Goods and services	- 28.9	73.8	- 21.3	1.3	-236.8
Exports, f.o.b.[d]	580.1	722.3	893.4	416.3	478.9
Imports, f.o.b.	-734.6	-741.9	-940.6	-427.8	-664.8
Transportation and insurance	- 63.9	- 56.6	-113.8	- 53.4	-109.1
Government, n.i.e.[d]	217.2	183.8	181.7	86.3	80.4
Other (net)	- 27.7	- 33.8	- 42.0	- 20.1	- 22.2
Private donations	10.6	11.1	11.8	5.5	6.3
Private capital	4.8	30.7	- 0.9	- 1.8	5.4
Official donations	—	- 4.0	- 1.9	- 2.4	- 9.6
Reparations	—	- 8.6	- 6.3	- 2.4	- 10.8
Other	—	4.6	4.4	—	1.2
Official and bank capital	7.1	-105.3	9.0	- 11.9	244.8
Long-term capital	- 0.4	17.7	7.8	- 2.8	8.3
Short-term capital:					
Use of IMF resources	—	- 22.5	—	- 0.1	- 0.5
Other liabilities	38.5	18.6	61.8	34.9	48.4
Sterling balances	- 40.1	- 21.3	54.0	21.6	11.1
U.S. dollar balances	45.7	- 79.8	-105.9	- 64.0	166.6
Other foreign assets	- 35.6	- 17.4	- 8.6	- 1.4	11.0
Monetary gold	- 1.0	- 0.6	- 0.1	- 0.1	- 0.1
Net errors and omissions	6.4	- 6.3	3.3	9.3	- 10.1

G. INTERNATIONAL PAYMENTS *(Cont'd.)*

	1954	1955	1956	First half 1956	First half 1957
KOREA, southern *(million U.S. dollars)*					
Goods and services	-180.1	-274.0	-334.1	-159.6	-209.0
Exports,[a] f.o.b.	24.2	17.6	25.1	12.6	11.5
Imports,[a] c.i.f.	-241.2	-327.8	-380.4	-180.1	-234.7
Government, n.i.e.	34.9	35.7	23.2	8.0	15.6
Other	2.0	0.5	-2.0	-0.1	-1.4
Private donations	12.1	16.8	22.8	9.0	17.8
Private capital	...	...	...	...	...
Official donations	139.2	246.8	297.2	148.7	178.7
Official and bank capital	29.1	9.7	14.8	2.4	12.3
Long-term capital	—	-5.6	—	—	—
Short-term capital:					
Liabilities to IBRD	—	2.2	—	—	—
Payments agreement liabilities to Japan	22.6	-0.2	-0.6	0.3	-0.1
Other	7.4	12.2	15.5	2.2	12.5
Monetary gold	-0.9	1.1	-0.1	-0.1	-0.1
Net errors and omissions	-0.3	0.7	-0.7	-0.5	0.2
PAKISTAN *(million rupees)*					
Goods and services	-203	23	-835	-205	-360
Exports,[a] f.o.b.	1,120	1,520	1,746	966	894
Imports,[a] private, f.o.b.	-743	-652	-817	-420	-404
Transportation and insurance	-78	-58	-76	-33	-45
Government, n.i.e.[e]	-464	-722	-1,593	-670	-755
Other	-38	-65	-95	-48	-50
Private donations	-32	-26	55	-13	-12
Private capital	34	-3	1	-10	8
Official donations	39	284	433	302	156
Official and bank capital	139	-193	362	101	184
Long-term capital:					
Loans received	58	54	156	112	43
Official repayments	-4	-9	-12	-5	-69
U.K. securities	42	-19	-59	-67	-67
Short-term capital:					
Liabilities	6	-1	327	82	157
Sterling balances	14	-178	-1	-156	178
U.S. dollar balances	2	2	-57	-27	-42
Other foreign assets	21	-9	10	-39	-16
Monetary gold	—	-33	-2	-2	—
Net errors and omissions	23	-85	-16	27	24
VIET-NAM, southern *(million piastres)*					
Goods and services	...	-5,647	-6,784	...	...
Exports,[a] f.o.b.	...	2,056	1,849	...	...
Imports,[a] c.i.f.	...	-9,845	-7,638	...	...
Transportation and insurance	...	-181	-37	...	...
Investment income	...	-120	-567	...	...
Government, n.i.e.	...	3,952	191	...	...
Other	...	-1,510	-582	...	...
Private donations	...	-79	...	...	...
Private capital	...	-96	-281	...	...
Official donations	...	9,530	6,745	...	...
Official and bank capital	...	-3,344	522	...	...
Long-term capital:					
Liabilities	...	—	875	...	...
Assets	...	—	-197	...	...
Short-term capital:					
Liabilities	...	...	79	...	...
Clearing account with Japan	...	-53	-2	...	...
Dollars received under US aid	...	-2,296	-256	...	...
Franc triangulaires	...	-973	98	...	...
Foreign exchange holding by banks	...	23	-75	...	...
Net errors and omissions	...	165	-202	...	...

	1954	1955	1956	First half 1956	First half 1957
PHILIPPINES *(million pesos)*					
Goods and services	-163	-321	-139	10	-88
Exports, f.o.b.	783	779	875	437	486
Imports, f.o.b.	-975	-1,102	-1,017	-488	-616
Transportation and insurance	-115	-133	-123	-61	-82
Investment income	-113	-133	-131	-5	-11
Government, n.i.e.	239	245	219	117	110
Other	18	23	38	10	25
Private donations	7	16	11	5	7
Private capital	88	119	111	13	-1
Official donations	46	48	67	31	36
Official and bank capital	16	149	-29	-45	54
Long-term capital	-34	82	15	12	-59
Short-term capital:					
Use of IMF resources	—	20	10	10	—
Other liabilities	-3	10	4	-2	-7
Foreign assets	53	49	-46	-60	128
Monetary gold	—	-12	-12	-5	-8
Net errors and omissions	6	-11	-21	-14	-8
THAILAND *(million U.S. dollars)*					
Goods and services	-61.7	-15.6	-10.7	-31.2	-11.3
Exports, f.o.b.	283.4	334.9	362.2	161.4	203.3
Imports, c.i.f.	-311.7	-321.1	-355.3	-181.1	-204.6
Nonmonetary gold	-16.8	-10.7	-3.8	-3.5	-3.5
Government, n.i.e.	-2.8	-2.8	2.0	—	3.1
Other	-13.8	-15.9	-15.8	-8.0	-9.6
Private donations	-7.1	-8.1	-8.9	-5.0	-6.7
Private capital	...	2.4	3.2	1.4	1.4
Official donations	6.4	14.1	31.0	14.2	18.3
Official and bank capital	21.9	-11.1	-8.9	3.1	3.9
Long-term capital:					
Assets, Bank of Thailand	3.1	0.2	-1.2	0.8	—
Loans received	1.8	17.6	17.7	5.8	14.7
Official repayments	-1.5	-2.4	-5.4	-3.4	-3.4
Short-term capital:					
Liabilities	0.3	7.6	-6.4	0.5	9.0
Sterling balances	-23.9	-22.4	-4.0	-0.8	1.4
U.S. dollar balances	40.5	-15.0	-7.2	1.2	-19.6
Other foreign assets	0.8	2.7	-2.4	-1.0	1.8
Monetary gold	0.8	0.6	—	—	—
Net errors and omissions	40.5	18.3	-5.7	17.5	-5.6

GENERAL NOTES: (1) No sign indicates credit, minus sign indicates debit. For foreign balances or foreign assets under short-term official and bank capital, no sign indicates decrease, minus sign indicates increase. (2) Statistics on goods and services except merchandise imports and exports are on a net basis.

a. Figures based on exchange control record.

b. Mixed f.o.b. and c.i.f.

c. Including Reserve Bank's holdings of long-term securities.

d. Goods purchased by UN forces under the special procurement programme are included in "Government, n.i.e."

e. Including government imports.

H. COMPOSITION OF IMPORTS

	Value (in millions)				Percentage distribution			
	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
ECAFE REGION[a] *(U.S. dollar)*								
1953	3,294	2,360	873	1,370	41.7	29.9	11.1	17.3
1954	3,141	2,479	889	1,428	39.6	31.2	11.2	18.0
1955	2,987	2,771	971	1,651	35.6	33.1	11.6	19.7
1956	3,142	3,204	1,484	2,087	31.7	32.3	15.0	21.0
1957 1st half	*1,814*	*2,346*	*1,309*	*1,651*	*25.5*	*32.9*	*18.4*	*23.2*
BURMA *(kyat)*								
1953	468	131	65	182	55.3	15.5	7.7	21.5
1954	476	174	59	264	48.9	17.9	6.1	27.1
1955	362	170	67	261	42.1	19.7	7.8	30.4
1956	370	195	88	287	39.4	20.7	9.4	30.5
1957 1st half	*258*	*133*	*57*	*216*	*38.9*	*20.0*	*8.6*	*32.5*
CEYLON *(rupee)*								
1953	1,084	118	167	239	67.4	7.3	10.4	14.9
1954	952	128	130	186	68.2	9.2	9.3	13.3
1955	890	142	164	233	62.3	9.9	11.5	16.3
1956	1,034	149	140	293	64.0	9.2	8.7	18.1
1957 1st half	540	111	121	158	58.1	11.9	13.0	17.0
CHINA, Taiwan *(new Taiwan dollar)*								
1953	793	1,129	128	695	28.9	41.1	4.7	25.3
1954	836	1,414	238	806	25.4	42.9	7.2	24.5
1955	536	1,500	206	898	17.0	47.8	6.6	28.6
1956	785	2,195	439	1,377	16.4	45.8	9.1	28.7
1957 1st half	276	1,236	202	641	11.7	52.5	8.6	27.2
HONGKONG *(Hong Kong dollar)*								
1953	2,136	1,089	203	409	55.7	28.4	5.3	10.6
1954	1,687	1,236	215	295	49.1	36.0	6.3	8.6
1955	1,920	1,169	244	387	51.6	31.4	6.5	10.4
1956	2,282	1,317	336	616	50.2	28.9	7.4	13.5
1957 1st half	1,268	742	217	469	47.0	27.5	8.0	17.4
INDIA *(rupee)*								
1953[b]	2,006	1,618	480	1,612	35.1	28.3	8.4	28.2
1954[b]	2,366	1,759	633	1,797	36.1	26.8	9.7	27.4
1955[b]	1,441	2,031	556	2,746	21.3	30.0	8.2	40.5
1956[c]	1,293	2,204	779	3,883	15.9	27.0	9.5	47.6
1957 1st half	705	1,161	730	2,381	14.2	23.3	14.7	47.8
INDONESIA *(rupiah)*								
1953	4,106	1,542	500	2,435	47.8	18.0	5.8	28.4
1954	3,051	1,418	459	1,977	44.2	20.5	6.6	28.6
1955	2,641	1,535	670	1,902	39.1	22.8	9.9	28.2
1956	4,447	1,873	817	2,569	45.8	19.3	8.4	26.5
1957 1st half	1,976	1,014	376	1,492	40.7	20.9	7.7	30.7
JAPAN *(yen)*								
1953	245,951	413,497	136,775	66,264	28.5	47.9	15.9	7.7
1954	252,419	412,705	125,824	72,677	29.2	47.8	14.6	8.4
1955	240,071	457,778	134,706	56,477	27.0	51.5	15.2	6.3
1956	217,498	581,071	283,656	71,973	18.8	50.4	24.6	6.2
1957 1st half	112,371	366,079	273,617	87,530	13.4	43.6	32.6	10.4
KOREA, southern *(hwan)*								
1953	12,392	7,169	1,345	1,423	55.5	32.1	6.0	6.4
1954	9,265	10,661	2,665	5,177	33.4	38.4	9.6	18.6
1955	17,032	22,814	2,392	5,971	35.3	47.3	5.0	12.4
1956	15,887	11,528	1,453	5,935	45.6	33.1	4.2	17.1
1957 1st half	9,040	4,204	886	2,375	54.8	25.4	5.4	14.4
MALAYA including SINGAPORE *(Malayan dollar)*								
1953	1,854	520	435	426	57.3	16.1	13.4	13.2
1954	1,669	624	454	389	53.2	19.9	14.5	12.4
1955	1,905	904	539	474	49.8	23.7	14.1	12.4
1956	2,081	927	576	569	50.1	22.3	13.9	13.7
1957 1st half	1,070	470	344	341	48.1	21.1	15.5	15.3
NORTH BORNEO *(Malayan dollar)*								
1953	41	9	5	15	58.3	13.1	7.4	21.1
1954	44	9	4	15	60.4	12.8	6.1	20.7
1955	51	14	6	17	58.7	15.5	6.7	19.1
1956	65	21	7	22	56.5	18.4	6.0	19.1
1957 1st half	30	12	4	13	50.8	20.3	6.8	22.0

H. COMPOSITION OF IMPORTS *(Cont'd.)*

	Value (in millions)				Percentage distribution			
	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
PAKISTAN[d] *(rupee)*								
1953	160	152	107	208	25.5	24.2	17.1	33.2
1954	192	187	129	398	21.2	20.7	14.2	43.9
1955	206	164	155	412	22.0	17.5	16.5	44.0
1956	270	144	181	382	27.6	14.7	18.5	39.1
1957 1st half	*457*	*132*	*141*	*347*	*42.4*	*12.3*	*13.1*	*32.2*
PHILIPPINES[e] *(peso)*								
1953	447	164	103	200	48.9	17.9	11.3	21.9
1954	460	168	112	225	47.6	17.4	11.6	23.3
1955	519	181	125	272	47.3	16.5	11.4	24.8
1956	398	169	132	314	39.3	16.7	13.0	31.0
1957 1st half	244	103	87	182	39.6	16.7	14.1	29.6
SARAWAK *(Malayan dollar)*								
1953	88	271	7	29	22.3	68.7	1.7	7.3
1954	89	273	7	28	22.4	68.9	1.7	6.9
1955	97	305	9	29	22.0	69.4	2.0	6.6
1956	97	326	10	30	21.0	70.4	2.1	6.5
1957 1st half	46	161	4	14	20.3	71.7	1.9	6.1
THAILAND *(baht)*								
1953	2,904	546	478	2,049	48.6	9.1	8.0	34.3
1954	3,180	670	572	2,217	47.9	10.1	8.6	33.4
1955	3,554	822	670	2,233	48.8	11.3	9.2	30.7
1956	3,529	913	674	2,489	46.4	12.0	8.9	32.7
1957 1st half	*1,830*	*523*	*422*	*1,541*	*42.4*	*12.1*	*9.8*	*35.7*

GENERAL NOTE RELATING TO TABLES H AND I: Total of the four groups of imports or exports do not add up to total imports or exports published in national trade returns, because (1) in a few countries, a small part of the imports or exports (in no case more than 4%) are not included in the commodity trade statistics published by governments, and (2) of rounding. Percentage distribution refers to percentages of the totals of the four groups of commodities.

a. Regional totals in U.S. dollars including all countries listed in the table except southern-Korea. Imports of India in fiscal years are added to imports of other countries in calendar years.
b. Years beginning 1st April.
c. Annual rate based on 9 months April-December.
d. Figures for 1953-1956, relating to Private account only except 1957, for which Government account in included.
e. F.O.B. value.

I. COMPOSITION OF EXPORTS

	Value (in millions)				Percentage distribution			
	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
HONG KONG *(Hong Kong dollar)*								
1953	1,601	803	88	235	58.7	29.5	3.2	8.6
1954	1,376	804	73	164	56.9	33.3	3.0	6.8
1955	1,503	733	92	203	59.4	29.0	3.6	8.0
1956	1,887	803	156	353	59.0	25.1	4.9	11.0
1957 1st half	938	349	92	181	60.1	22.4	5.9	11.6
INDIA *(rupee)*								
1953[a]	3,604	1,028	570	47	68.7	19.6	10.8	0.9
1954[a]	4,215	1,225	386	48	71.7	20.9	6.6	0.8
1955[a]	3,755	1,673	414	51	63.7	28.4	7.0	0.9
1956[b]	4,093	1,172	447	51	71.0	20.3	7.8	0.9
1957 1st half	1,882	829	379	23	60.5	26.6	12.2	0.7
JAPAN *(yen)*								
1953	227,743	70,497	30,915	128,264	49.8	15.4	6.8	28.0
1954	294,816	98,871	39,016	153,763	50.3	16.8	6.7	26.2
1955	344,881	109,389	63,405	204,264	47.7	15.2	8.8	28.3
1956	422,755	115,440	78,690	275,719	47.4	12.9	8.8	30.9
1957 1st half	213,906	72,645	35,833	154,134	44.9	15.2	7.5	32.3
MALAYA *(Malayan dollar)*								
1953	718	1,497	581	115	24.7	51.4	20.0	3.9
1954	732	1,576	595	83	24.5	52.8	19.9	2.8
1955	723	2,551	669	87	17.9	63.3	16.6	2.2
1956	810	2,349	748	105	20.2	58.6	18.6	2.6
1957 1st half	416	1,117	384	68	20.9	56.3	19.3	3.4

GENERAL NOTE: See table H.

a. Years beginning 1st April.

b. Annual rate based on 9 months April—December.

J. GOVERNMENT REVENUE AND EXPENDITURE

	Type of account	Total revenue	Total expenditure	Balance (+) or (−)
AFGHANISTAN *(million afghanis)*				
1953/54	A	775	837	− 62
1954/55	A	964	1,030	− 66
1955/56	RE	989	1,301	−312
1956/57	DE	1,276	1,779	−503
BRITISH BORNEO *(million Malayan dollars)*				
Brunei				
1953	A	99.0	23.7	+75.3
1954	A	96.0	30.6	+65.4
1955	A	104.1	43.0	+61.1
1956	RE	116.8	48.1	+68.7
1957	DE	120.1	68.6	+51.5
North Borneo				
1953	A	23.0	28.5	− 5.5
1954	A	23.8	36.2	−12.4
1955	A	29.6	40.4	−10.8
1956	A	33.7	42.5	− 8.8
1957	RE	34.8	53.4	−18.6
1958	DE	36.7	53.1	−16.4
Sarawak				
1953	A	43.4	41.9	+ 1.5
1954	A	41.7	48.6	− 6.9
1955	A	49.8	44.4	+ 5.4
1956	A	51.4	60.4	− 9.0
1957	RE	51.2	75.2	−24.0
1958	DE	59.6	86.4	−26.8
BURMA *(million kyats)*				
1953/54	A	979	1,133	−154
1954/55	A	1,093	1,148	− 55
1955/56	A	723	1,006	−283
1956/57	RE	974	1,212	−238
1957/58	DE	966	1,337	−371
CAMBODIA *(million riels)*				
1953	E	1,050	1,290	−240
1954	E	1,665	2,612	−947
1955	E	1,637	2,475	−838
1956		1,721 E	1,755 A	− 34
1957	E	1,899	2,250	−351
CEYLON *(million rupees)*				
1953/54	A	921	829	+ 92
1954/55	A	1,035	921	+114
1955/56	A	1,127	1,145	− 18
1956/57	RE	1,107	1,255	−148
1957/58	DE	1,169	1,300	−131
CHINA (Taiwan, *million new Taiwan dollars)*				
1953	A	2,125	2,309	−184
1954 Jan.-June	A	1,413	1,603	−190
1954/55	A	3,412	3,765	−353
1955/56	A	3,939	3,895	+ 44
1956/57	DE	3,601	3,792	−191
HONG KONG *(million Hong Kong dollars)*				
1952/53	A	371	309	+ 62
1953/54	A	381	353	+ 28
1954/55	A	415	358	+ 57
1955/56	A	427	400	+ 27
1956/57	RE	473	477	− 4
1957/58	DE	470	589	−119
INDIA *(million rupees)*				
Central Government				
1953/54	A	4,840	6,949	−2,109
1954/55	A	5,449	8,628	−3,179
1955/56	A	6,190	10,023	−3,833
1956/57	RE	7,118	12,512	−5,394
1957/58	DE	8,582	15,183	−6,601
States				
1953/54	A	4,325	4,614	− 289
1954/55	A	4,567	4,465	+ 102
1955/56	RE	4,925	6,031	−1,106
1956/57	DE	5,119	6,817	−1,698
1957/58	DE	5,705	7,382	−1,677

	Type of account	Total revenue	Total expenditure	Balance (+) or (−)
INDONESIA *(million rupiah)*				
1953	A	13,590	15,658	−2,068
1954	A	11,439	15,391	−3,952
1955	A	14,226	16,316	−2,090
1956	A	17,759	20,015	−2,256
1957	DE	19,178	20,777	−1,599
1958	DE	20,990	21,650	− 660
JAPAN *(thousand million yen)*				
1953/54	A	1,018	999	+ 19
1954/55	A	1,007	1,052	− 45
1955/56	A	1,033	1,044	− 11
1956/57	RE	1,103	1,122	− 19
1957/58	DE	1,181	1,196	− 15
KOREA, southern *(million hwan)*				
1953/54	A	30,202	59,924	− 29,722
Apr. 1954/June 1955	A	69,058	132,880	− 63,822
July 1955/June 1956	RE	90,700	260,500	−169,800
July 1956/Dec. 1956	DE	53,203	123,400	− 70,197
1957	DE	166,235	437,488	−271,253
1958	DE	201,585	386,606	−185,021
LAOS *(million kips)*				
1953	E	359	509	−150
1954	E	358	632	−274
1955	E	424	1,155	−731
1956	E	490	1,169	−679
1957	E	945	1,145	−200
MALAYA, Federation of *(million Malayan dollars)*				
1953	A	660	916	−256
1954	A	646	868	−222
1955	A	822	897	− 75
1956	RE	813	1,029	−216
1957	DE	776	1,076	−300
NEPAL *(million rupees)*				
1951	E	30.5	52.5	−22.0
1952	E	39.2	52.9	−13.7
1953	RE	37.7	46.8	− 9.1
1954	E	43.1	59.2	−16.1
1955	A	33.6	45.2	−11.6
1956	RE	42.9	48.1	− 5.2
1957	E	57.6	65.7	− 8.1
PAKISTAN *(million rupees)*				
1953/54	A	1,142	1,816	− 674
1954/55	A	1,209	1,662	− 453
1955/56	A	1,343	1,972	− 629
1956/57	RE	1,342	2,348	−1,006
1957/58	DE	1,450	2,890	−1,440
PHILIPPINES *(million pesos)*				
1953/54	A	711	787	− 76
1954/55	A	783	854	− 71
1955/56	A	857	980	−123
1956/57	RE	955	1,099	−144
1957/58	DE	1,100	1,190	− 90
SINGAPORE *(million Malayan dollars)*				
1953	A	221	166	+ 55
1954	A	217	246	− 29
1955	A	208	221	− 13
1956	RE	217	244	− 27
1957	DE	236	314	− 78
THAILAND *(million baht)*				
1953	A	3,929	4,890	− 961
1954	A	4,260	5,494	−1,234
1955	A	4,367	5,025	− 658
1956	A	5,076	5,667	− 591
1957	DE	5,085	6,344	−1,259
VIET-NAM, southern *(million piastres)*				
1953	DE	4,065	5,732	− 1,667
1954	DE	5,470	16,954	−11,484
1955	DE	5,122	15,697	−10,575
1956		7,251 A	12,471 E	...
1957	DE	8,461	14,160	− 5,699
1958	DE	8,701	14,375	− 5,674

For explanatory notes see page 213.

K. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
AFGHANISTAN *(million afghani)*											
1953/54	A	775	695	98	77	302	...	...		186	32
1954/55	A	964	868	98	77	401	...	...		251	41
1955/56	RE	989	845	105	76	401	...	...		222	41
1956/57	DE	1,276	...	...	...	...	...	...		...	...
BRITISH BORNEO *(million Malayan dollars)*											
Brunei											
1953	A	99.0	65.4	61.1	—	4.1	4.0	0.1	—	0.1	0.1
1954	A	96.0	59.0	54.3	—	4.5	4.4	0.1	—	0.1	0.1
1955	A	104.1	54.4	50.1	—	4.0	3.8	0.2	—	0.2	0.1
1956	RE	116.8	59.3	54.7	—	4.1	4.0	0.1	—	0.4	0.1
1957	DE	120.1	60.7	56.2	—	4.1	4.0	0.1	—	0.3	0.1
North Borneo											
1953	A	23.0	17.5	3.9	0.2	11.3	9.0	2.3	—	0.5	1.6
1954	A	23.8	15.9	2.3	0.2	12.0	9.0	3.0	—	0.5	0.9
1955	A	29.6	20.7	1.9	0.1	16.5	9.5	7.0	—	0.4	1.8
1956	A	33.7	23.1	3.0	0.1	18.0	11.5	6.5	—	0.5	1.5
1957	RE	34.8	24.6	3.0	0.1	19.7	13.7	6.0	—	0.6	1.2
1958	DE	36.7	25.1	3.0	—	20.2	14.3	5.9	—	0.6	1.3
Sarawak											
1953	A	43.4	35.0	9.9	—	22.7	11.9	10.8	0.9	0.4	1.1
1954	A	41.7	31.7	6.8	—	22.3	12.0	10.3	1.0	0.4	1.2
1955	A	49.8	38.2	6.5	—	27.8	13.5	14.3	1.3	0.5	2.1
1956	A	51.4	37.8	7.3	—	26.0	13.9	12.1	1.3	0.6	2.6
1957	RE	51.2	37.7	7.5	—	26.0	15.5	10.5	1.2	0.6	2.4
1958	DE	59.6	44.2	13.0	—	26.1	18.1	8.0	1.2	1.0	2.9
BURMA *(million kyats)*											
1953/54	A	979	909	332	18	255	239	16	110	13	192
1954/55	A	1,093	847	243	24	255	238	17	104	13	208
1955/56	A	723	654	224	22	214	197	17	115	16	63
1956/57	RE	974	833	230	29	259	235	24	139	17	159
1957/58	DE	966	791	230	29	300	276	24	148	16	68
CAMBODIA *(million riels)*											
1953	E	1,050	979	94	31	525	...	...	230	62	37
1954	E	1,665	1,177	108	32	624	...	...	270	85	58
1955	E	1,637	1,276	97	29	624	...	...	288	132	106
1956	E	1,721	1,548	121	42	361	291	70	673	191	160
1957	E	1,899	1,561	111	17	410	347	63	673	190	160
CEYLON *(million rupees)*											
1953/54	A	921	822	225	—	503	244	259	67	19	8
1954/55	A	1,035	928	213	—	627	258	369	57	19	12
1955/56	A	1,127	1,015	306	—	608	286	322	70	23	8
1956/57	RE	1,107	998	286	—	606	281	325	75	24	7
1957/58	DE	1,169	1,054	305	—	629	302	327	83	29	8
CHINA (Taiwan, *million new Taiwan dollars)*											
1953	A	2,125	1,961	175	—	606	606	—	817	83	280
1954 (Jan.—Jun.)	A	1,413	1,347	79	—	421	421	—	787	51	9
1954/55	A	3,412	3,226	255	—	1,014	1,014	—	1,829	105	23
1955/56	A	3,939	3,648	442	—	1,096	1,096	—	1,785	146	179
1956/57	DE	3,601	3,259	269	—	1,078	1,078	—	1,570	148	194
HONG KONG *(million Hong Kong dollars)*											
1952/53	A	371	271	152	—	58	58	—	24	18	19
1953/54	A	381	275	142	—	58	58	—	23	22	30
1954/55	A	415	289	159	—	63	63	—	25	23	19
1955/56	A	427	296	154	—	71	71	—	28	34	9
1956/57	RE	473	326	171	—	80	80	—	31	36	8
1957/58	DE	470	322	170	—	79	79	—	29	34	10
INDIA *(million rupees)*											
Central Government											
1953/54	A	4,840	3,477	1,071	8	1,587	1,196	385	796	16	—
1954/55	A	5,449	3,847	1,036	5	1,849	1,411	414	938	20	—
1955/56	A	6,190	4,120	1,132	9	1,667	1,280	378	1,292	17	3
1956/57	RE	7,118	4,771	1,310	5	1,710	1,385	277	1,711	20	16
1957/58	DE	8,582	5,732	1,585	6	1,680	1,341	287	2,397	24	40
States											
1953/54	A	4,325	3,303	626	707	—	—	—	1,369	414	187
1954/55	A	4,567	3,372	632	726	—	—	—	1,448	407	159
1955/56	RE	4,925	3,495	651	803	—	—	—	1,488	425	128
1956/57	DE	5,119	3,667	637	927	—	—	—	1,515	449	139
1957/58	DE	5,705	4,014	729	925	—	—	—	1,715	465	180

K. MAJOR COMPONENTS OF TAX REVENUE *(Contd.)*

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
INDONESIA *(million rupiah)*											
1953	A	13,590	8,415	2,000	8	2,344	1,295	1,049	3,868	60	135
1954	A	11,439	7,871	2,408	10	1,547	995	552	3,705	87	114
1955	A	14,226	9,866	3,081	8	1,860	1,106	754	4,705	98	114
1956	A	17,759	13,662	2,944	10	2,296	1,872	424	8,021	113	278
1957	DE	19,178	14,089	3,287	9	2,594	2,200	394	7,568	107	524
1958	DE	20,990	15,800	3,487	9	2,448	2,004	444	8,780	107	969
JAPAN *(thousand million yen)*											
1953/54	A	1,018	933	498	—	30	...	...	405	—	—
1954/55	A	1,007	934	496	—	24	...	...	414	—	—
1955/56	A	1,033	936	481	—	27	...	...	428	—	—
1956/57	RE	1,103	1,015	531	—	38	...	...	446	—	—
1957/58	DE	1,181	1,094	550	—	40	...	...	504	—	—
KOREA, southern *(million hwan)*											
1953/54	A	30,202	20,963	6,861	4,690	3,509	...	...	5,306	456	141
Apr. 1954/June 1955	A	69,058	51,989	14,921	7,577	9,983	...	...	18,014	1,150	345
July 1955/June 1956	RE	90,700	73,473	27,614	7,899	14,951	...	...	20,783	2,226	—
July 1956/Dec. 1956	DE	53,203	38,526	13,897	3,950	8,615	...	...	10,983	1,172	—
1957	DE	166,235	127,711	27,634	19,998	19,750	...	...	56,960	2,368	1,001
1958	DE	201,585	144,957	32,065	20,350	24,825	...	...	43,854	4,863	19,000
LAOS *(million kips)*											
1953	E	359	266	12	1	139	134	5	101	4	9
1954	E	358	286	7	1	153	146	7	113	4	8
1955	E	424	242	9	—	100	100	—	115	11	7
1956	E	490	464	44	—	251	251	—	129	33	7
1957	E	945	899	72	—	583	583	—	183	54	7
MALAYA, Federation of *(million Malayan dollars)*											
1953	A	660	543	164	—	311	199	112	20	31	17
1954	A	646	523	136	—	318	206	112	20	35	14
1955	A	822	677	117	—	486	251	235	22	34	18
1956	RE	813	661	141	—	444	264	180	22	35	19
1957	DE	776	620	121	—	420	288	132	26	38	15
NEPAL *(million rupees)*											
1951	E	30.5	...	...	...	7.3	...	...	0.9	...	...
1952	E	39.2	...	...	...	10.1	...	...	0.8	...	...
1953	RE	37.7	...	...	...	10.2	...	...	2.2	...	...
1954	E	43.1	...	...	...	13.6	...	...	2.5	...	...
1955	A	33.6	...	...	...	12.6	...	...	2.2	...	...
1956	RE	42.9	...	...	...	18.5	...	...	2.8	...	...
1957	E	57.6	...	...	...	23.5	...	...	4.0	...	...
PAKISTAN *(million rupees)*											
1953/54	A	1,142	832	176	3	401	...	...	223	5	24
1954/55	A	1,209	908	227	3	416	...	...	227	5	30
1955/56	A	1,343	968	198	—	509	...	...	222	6	33
1956/57	RE	1,342	931	207	1	426	...	...	262	6	29
1957/58	DE	1,450	968	213	1	439	...	...	281	7	27
PHILIPPINES *(million pesos)*											
1953/54	A	711	644	121	—	35	35	—	309	179	—
1954/55	A	783	691	143	—	45	45	—	399	103	—
1955/56	A	857	749	142	—	113	113	—	270	191	33
1956/57	RE	955	852	137	—	213	213	—	240	224	38
1957/58	DE	1,100	899	141	—	223	223	—	250	245	40
SINGAPORE *(million Malayan dollars)*											
1953	A	221	180	91	—	—	—	—	76	8	5
1954	A	217	164	77	—	—	—	—	75	8	4
1955	A	208	157	64	—	—	—	—	81	9	3
1956	RE	217	168	66	—	—	—	—	87	10	5
1957	DE	236	193	74	—	—	—	—	101	13	5
THAILAND *(million baht)*											
1953	A	3,929	3,612	266	—	1,262	1,047	215	855	67	1,162
1954	A	4,260	3,904	274	—	1,365	1,145	220	1,169	56	1,040
1955	A	4,367	3,990	312	—	1,648	1,296	352	1,189	61	780
1956	A	5,076	4,650	354	—	1,816	1,413	403	1,277	57	1,146
1957	DE	5,085	4,653	345	—	1,835	1,426	409	1,299	55	1,119
VIET-NAM *(million piastres)*											
1953	DE	4,065	3,637	389	3	1,851	1,781	70	1,266	128	—
1954	DE	5,470	4,969	612	—	2,340	2,263	77	1,802	215	—
1955	DE	5,122	4,768	752	12	1,692	1,622	70	2,066	246	—
1956	A	7,251	...	...	...	...	...	...	...	...	...
1957	DE	8,461	7,074	729	140	1,702	1,702	—	3,934	407	162
1958	DE	8,701	7,715	634	140	2,003	2,003	—	4,307	440	191

For explanatory notes see page 213.

L. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local governments	Other current expenditure	Investment	Loans and advances (net)
AFGHANISTAN *(million afghanis)*										
1953/54	A	837	280	...	...	83	...	162	312	...
1954/55	A	1,030	418	...	...	54	...	252	306	...
1955/56	RE	1,301	528	...	...	79	...	82	612	...
1956/57	DE	1,779	...	...	...	...	...	...	...	...
BRITISH BORNEO *(million Malayan dollars)*										
Brunei										
1953	A	23.7	—	—	2.0	1.7	—	7.3	12.7	
1954	A	30.6	—	—	2.0	2.2	—	6.3	20.1	
1955	A	43.0	—	—	3.2	2.9	—	13.1	23.8	
1956	RE	48.1	—	—	4.1	3.9	—	10.4	29.7	
1957	DE	68.6	—	—	5.0	6.4	—	14.7	42.5	
North Borneo										
1953	A	28.5	—	—	2.9	2.6	—	8.4	14.6	—
1954	A	36.2	—	—	2.8	3.2	—	8.3	21.9	—
1955	A	40.4	—	—	2.9	3.5	—	10.0	24.0	—
1956	A	42.5	—	—	4.2	4.3	—	19.4	14.6	—
1957	RE	53.4	—	—	5.3	5.0	—	19.4	23.7	—
1958	DE	53.1	—	—	5.8	5.8	—	20.0	21.5	—
Sarawak										
1953	A	41.9	0.1	—	5.2	3.9	—	13.1	19.4	0.2
1954	A	48.6	—	—	5.1	4.5	—	13.8	24.8	0.4
1955	A	44.4	0.1	—	5.4	5.2	—	15.5	17.7	0.5
1956	A	60.4	—	—	7.1	10.6	—	17.7	23.3	1.7
1957	RE	75.2	—	—	7.9	13.2	—	21.7	29.3	3.1
1958	DE	86.4	0.3	—	9.0	15.1	—	21.9	39.6	0.5
BURMA *(million kyats)*										
1953/54	A	1,133	382	—	44	101	32	259	247	68
1954/55	A	1,148	333	—	50	119	32	249	141	225
1955/56	A	1,006	353	—	48	128	27	251	77	122
1956/57	RE	1,212	381	—	66	146	29	313	82	195
1957/58	DE	1,337	404	—	74	153	31	331	156	188
CAMBODIA *(million riels)*										
1953	RE	1,290	457	...	53	286	14	333	147	...
1954	RE	2,612	1,639	...	72	347	12	435	113	...
1955	RE	2,475	1,107	...	89	399	16	728	136	...
1956	A	1,755	610	—	89	482	...	384	190	...
1957	DE	2,250	640	—	130	658	...	489	333	...
CEYLON *(million rupees)*										
1953/54	A	829	17	12	110	249	31	219	191	
1954/55	A	921	20	—	132	259	33	233	244	
1955/56	A	1,145	36	80	137	294	36	322	240	
1956/57	RE	1,255	39	100	136	323	35	312	310	
1957/58	DE	1,300	57	135	131	338	31	291	317	
CHINA, (Taiwan, *million new Taiwan dollars)*										
1953	A	2,309	1,456	480	13	13	—	318	29	—
1954 (Jan.-Jun.)	A	1,603	1,049	260	12	16	—	255	11	—
1954/55	A	3,765	2,529	752	17	41	—	412	14	—
1955/56	A	3,895	3,145	4	31	73	—	536	106	—
1956/57	DE	3,792	2,994	—	108	99	—	591	—	—
HONG KONG *(million Hong Kong dollars)*										
1952/53	A	309	34	—	30	35	—	143	67	—
1953/54	A	353	32	—	35	38	—	184	64	—
1954/55	A	358	30	—	35	41	—	187	65	—
1955/56	A	400	24	—	40	46	—	173	103	14
1956/57	RE	477	25	—	43	52	—	189	139	29
1957/58	DE	589	27	—	55	66	—	209	185	47
INDIA *(million rupees)*										
Central Government										
1953/54	A	6,949	1,939	28	...	44	378	1,950	1,050	1,560
1954/55	A	8,628	1,979	—	...	71	644	2,092	1,609	2,233
1955/56	A	10,023	1,948	—	...	106	865	2,532	1,933	2,639
1956/57	RE	12,512	2,308	—	...	170	878	3,018	3,350	2,788
1957/58	DE	15,183	2,774	—	...	273	836	2,899	5,702	2,699
States										
1953/54	A	4,614	—	...	816	1,084	−364	2,272	1,702	− 896
1954/55	A	4,465	—	...	915	1,240	−436	2,430	2,057	−1,741
1955/56	RE	6,031	—	...	1,319	1,539	−676	2,700	3,134	−1,985
1956/57	DE	6,817	—	...	1,530	1,742	−651	2,672	3,758	−2,234
1957/58	DE	7,382	—	...	1,821	1,886	−604	2,907	3,424	−2,052

L. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE *(Contd.)*

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local governments	Other current expenditure	Investment	Loans and advances (net)
INDONESIA *(million rupiah)*										
1953	A	15,658	3,892	...	1,579	2,287	...	6,963	937	...
1954	A	15,391	3,627	...	1,844	2,686	...	6,219	1,015	...
1955	A	16,316	3,937	...	1,476	2,893	...	7,095	915	...
1956	A	20,015	4,379	...	869	3,476	...	10,373	918	...
1957	DE	20,777	4,276	...	3,300	2,896	...	8,570	1,735	...
1958	DE	21,650	4,786	...	1,059	2,369	...	12,107	1,329	...
JAPAN *(thousand million yen)*										
1953/54	A	999	165	28	...	208	201	157	240	
1954/55	A	1,052	161	7	...	300	220	167	197	
1955/56	A	1,044	148	7	...	283	258	163	185	
1956/57	RE	1,122	159	3	...	298	276	173	213	
1957/58	DE	1,196	173	—	...	320	301	185	217	
KOREA, southern *(million hwan)*										
1953/54	A	59,924	32,605	252	2,530	3,299	2,635	8,878	4,726	5,000
Apr. 1954/June 1955	A	132,880	59,918	691	4,417	11,045	8,052	20,858	15,366	12,534
July 1955/June 1956	RE	260,500	69,954	12,745	9,862	23,165	11,216	12,658	70,500	50,400
July 1956/Dec. 1956	DE	123,400	39,462	6,881	6,174	11,260	5,806	24,617	14,800	14,400
1957	DE	437,488	114,071	2,375	9,466	31,091	23,577	65,203	116,114	75,591
1958	DE	386,606	124,165	3,079	19,013	41,688	27,149	59,948	67,109	44,455
LAOS *(million kips)*										
1953	E	509	17	—	55	87	1	188	126	35
1954	E	632	31	—	60	111	1	201	160	68
1955	E	1,155	36	—	76	168	1	266	587	21
1956	E	1,169	49	—	108	265	1	344	344	58
1957	E	1,145	45	—	110	264	1	349	325	51
MALAYA, Federation of *(million Malayan dollars)*										
1953	A	916	214	—	65	135	—	322	180	
1954	A	868	184	—	62	137	—	317	168	
1955	A	897	160	—	61	158	—	325	193	
1956	RE	1,029	174	—	76	201	—	288	290	
1957	DE	1,076	179	—	90	230	—	312	265	
NEPAL *(million rupees)*										
1951	E	52.5	12.8	...	...	...	...	19.7	20.0	...
1952	E	52.9	12.7	...	...	...	...	24.2	16.0	...
1953	RE	46.8	13.8	...	...	...	...	18.0	15.0	...
1954	E	59.2	15.9	...	...	...	...	23.3	20.0	...
1955	A	45.2	14.0	...	...	...	...	18.6	12.6	...
1956	RE	48.1	15.3	...	...	...	...	19.3	13.5	...
1957	E	65.7	15.9	...	...	...	...	31.1	18.7	...
PAKISTAN *(million rupees)*										
1953/54	A	1,816	769	...	...	18	44	403	223	359
1954/55	A	1,662	683	...	...	28	57	478	253	163
1955/56	A	1,972	821	...	...	30	32	471	297	321
1956/57	RE	2,348	908	...	...	35	36	401	563	405
1957/58	DE	2,890	946	...	...	41	30	158	1,011	704
PHILIPPINES *(million pesos)*										
1953/54	A	787	160	...	36	207	48	175	161	...
1954/55	A	854	148	...	103	264	56	111	172	...
1955/56	A	980	166	...	122	268	56	85	283	...
1956/57	RE	1,099	163	...	168	286	56	103	323	...
1957/58	DE	1,190	176	...	188	316	60	126	324	...
SINGAPORE *(million Malayan dollars)*										
1953	A	166	8	—	15	41	—	80	22	...
1954	A	246	9	—	19	53	—	137	28	...
1955	A	221	10	—	12	63	—	80	56	...
1956	RE	244	10	—	19	74	—	80	61	...
1957	DE	314	11	—	18	104	—	88	73	20
THAILAND *(million baht)*										
1953	A	4,890	940	—	143	468	70	2,237	1,032	
1954	A	5,494	1,022	—	150	450	98	2,434	1,340	
1955	A	5,025	829	—	100	355	79	2,583	1,079	
1956	A	5,667	817	—	109	436	84	3,340	881	
1957	E	6,344	780	—	108	547	67	3,590	1,252	
VIET-NAM *(million piastres)*										
1953	DE	5,732	4,091	—	79	48	60	1,116	338	—
1954	DE	16,954	13,409	—	71	92	1,546	1,490	346	—
1955	DE	15,697	11,405	—	210	180	1,685	1,832	385	—
1956	DE	12,471	...	...	...	...	...	...	...	...
1957	DE	14,160	6,362	—	684	1,057	1,355	4,335	367	—
1958	DE	14,375	6,362	—	787	1,191	1,455	4,248	332	—

GENERAL NOTES:

A=Accounts, E=Estimates, DE=Draft estimates, RE=Revised estimates,

Figures generally relate to central government transactions only, except for India where figures for the state governments are also given.

In general, only the net results of public enterprises and fiscal monopolies are included; positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Interest charges to public enterprises and entities are included in revenue and are not deducted from interest payments on the expenditure side.

REVENUE

Total revenue: excluding proceeds from loans, other forms of borrowing, grants and aid, transfers from reserve funds, and counterpart funds.

Transaction and consumption taxes: excise duties, turnover taxes, sales taxes and entertainment duties.

EXPENDITURE

Total expenditure: including current expenditure, capital outlays, and loans and advances (net) granted by the government but excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: including defence capital outlay. Expenditure on military pensions is included in "other current expenditure."

Economic services: including current expenditure on agriculture, industrial development, scientific and technical research, irrigation, public works, forests, ports, light houses, commerce, planning, etc.

Social services: education, health, social welfare, relief, etc.

Contributions to provincial and local governments: including contributions towards meeting current expenditures.

Investment: covers capital outlays of public works department, including maintenance, and of government enterprises and other departments and grants to provinces and local authorities for the same purpose.

Loans and advances (net): mainly granted to provinces, local authorities, public and private undertakings for capital outlay.

COUNTRY NOTES:

AFGHANISTAN

Revenue: Tax on income and wealth: including personal and corporate income taxes only. Other tax revenue: live-stock tax only.

Expenditure: Social sevrices: expenditure on education only. Other current expenditure: covers food storage and public health, etc.

BURMA

Revenue: including contributions from the State Marketing Boards for capital outlay. Japanese reparation receipts are excluded.

CAMBODIA

Revenue: 1953-1955: a number of transaction and consumption taxes included under customs duties.

Expenditure: 1956 and 1957: expenditures financed by external aid are excluded.

CEYLON

Expenditure: 1953/54 and 1954/55: Defence capital outlay met from loan fund expenditure included under Investment. Subsidies: food subsidies only.

CHINA (TAIWAN)

Revenue: Transaction and consumption taxes: including "other aids". Other tax revenue: including foreign exchange profit, and the receipts entrusted to local government.

Expenditure: including some repayment of debt, which cannot be separated. Social services: expenditure of the Ministry of Education only.

INDIA

Revenue: including provision for depreciation, etc. of public enterprises.

Central government: excluding taxes transferred to the states.

States: Total revenue: excluding loans and grants received from the central government; including taxes transferred from the central government.

Expenditure:

Central governments excluding transactions of state trading schemes.

Social services: expenditure on education and health only.

States: Contribution to provincial and local governments: data from Central Government budgets. Loans and advances: to municipalities and local boards less loans from the Central Government. The latter figures from the central budgets do not reconcile with figures from states budgets.

INDONESIA

All accounts are shown "gross" i.e. certain incomes directly related to the various expenditure items have not been deducted from expenditures.

Revenue: Transactions and consumption taxes: including foreign exchange levies.

Expenditure: Economic services: including certain capital expenditures of Ministry of Economic Affairs and Ministry of Agriculture. Investment: covers total expenditure of Ministry of Communication and Public Works and Energy. Other expenditure: including financing services, and a substantial amount of expenditure on security measures.

JAPAN

Figures represent transactions of general account, special account for debt management and special account for local grants and shared taxes as well as of three other special accounts (seven for 1958) of an administrative nature. Thirty-two special accounts (thirty-one for 1958) for trading, manufacturing, banking, insurance and other public undertakings are excluded. All capital transfers are included.

Revenue: including repayment of loans and advances.

Expenditure: Social services: including civil pensions. Other current expenditure: including some capital expenditure.

KOREA, SOUTHERN

Figures represent transactions of General Account and Special Accounts.

Expenditure: Investment: including counterpart value of capital and goods received.

LAOS

Expenditure: Investment: the figure for 1955 includes an amount of 553.3 million kips financed directly by foreign aid. Defence: excluding considerable amounts of defence expenditures financed by foreign aid. Other current expenditure: includes a substantial amount of unforeseen expenditures, transportation expenses, etc. which could not be distributed.

MALAYA, FEDERATION of

Figures relate to the combined receipts and expenditure of the governments of the Federation and the States and Settlements. Transactions of postal and telecommunications are included on a gross basis.

Expenditure: including advances and payments to the War Damage Fund. Defence: including expenditures for resettlement of displaced civilians and other emergency expenditure.

NEPAL

Revenue: Transaction and Consumption taxes: excise duties only.

Expenditure: Investment: developmental expenditure.

PAKISTAN

Revenue: including provision for depreciation, etc. of public enterprises but excluding receipts from sales of foreign aid fund supplies. Total tax revenue: excluding taxes transferred to state governments. Other taxes: taxes, and duties levied under the Supplementary Finance Act of 1950.

Expenditure: including expenditures met from railway, postal development and other funds; excluding currency capital outlays. Subsidies: 1953: loss on cotton price support scheme. Social services: expenditure on refugees. Contributions to provincial and local governments: mainly grants for development but also general grants for meeting current expenditure; from 1954/55 only grants-in-aid included in the budget.

PHILIPPINES

Revenue: Beginning January 1956, special import duties were imposed to replace the foreign exchange tax which was abolished in December 1955.

THAILAND

Revenue: Tax on income and wealth: income tax and automobile taxes only. Other tax revenue: including profits from rice export monopoly, aliens and gambling fees.

Expenditure: Contributions to provincial and local governments: including purchase of cars and boats for fire control, repair and maintenance of roads, bridges, etc. Other current expenditure: including cost of living allowance to all government employees, both civil and military, amounting to 2,366 million baht in 1957.

VIET-NAM

Beginning 1956, budget relates to southern Viet-Nam.

M. NATIONAL INCOME

	Burma	Ceylon[a]	China (Taiwan)	Hong Kong[b]	India	Indonesia	Japan	Korea,[c] southern	Malaya[a]	Pakistan	Philippines	Thailand[b]	Viet-Nam, southern
	million kyats	*million rupees*	*million new Taiwan dollars*	*million Hong Kong dollars*	*thousand million rupees*	*thousand million rupiah*	*thousand million yen*	*thousand million hwan*	*million Malayan dollars*	*million rupees*	*million pesos*	*million baht*	*million piastres*
1938	1,213	595	724[d]	...	...	2.7	20	...	...	...	...	855	...
1946	...	...	...	...	...	...	361	...	...	...	4,202	9,284	...
1947	2,631	2,288	...	1,564	...	...	968	...	...	...	5,364	14,407	...
1948	3,132	2,627	...	1,775	86.5	...	1,962	...	...	...	5,511	16,668	...
1949	2,901	2,873	...	2,330	90.1	...	2,737	...	3,185	16,815	5,464	20,064	...
1950	2,744	3,840	6,106	2,789	95.3	...	3,382	...	4,500	17,151	5,922	23,377	...
1951	3,199	4,508	8,885	2,780	99.7	63.6	4,525	...	6,465	18,469	6,487	24,746	...
1952	3,520	4,420	12,957	3,200	98.2	78.8	5,085	...	5,780	18,275	6,554	25,844	...
1953	4,033	4,418	17,690	3,600	104.8	83.3	5,748	482.0	5,305	18,156	7,015	29,154	...
1954	3,921	4,668	18,521	3;960	96.2	91.6	6,021	707.6	...	...	7,145	27,575	...
1955	4,121	5,195	22,486	...	*96.5*	100.0	6,741	1,154.0	...	...	7,624	34,950	61,829
1956	4,336	4,899	25,975	...	...	...	7,685	...	...	...	*8,335*	...	...

Sources: United Nations Statistical Office and official national sources except for the following: Hong Kong: Communication from Edward F. Szezepanik, University of Hong Kong; Malaya: International Bank for Reconstruction and Development, *The Economic Development of Malaya, Part V.*

Time reference: Ceylon, China, Indonesia, Malaya, Philippines and Viet-Nam: calendar years; Thailand: fiscal year beginning 1 April for 1938, and calendar years from 1946; Hong Kong, India, and Pakistan: fiscal years beginning 1 April; Japan: calendar year for 1938, fiscal years beginning 1 April from 1946; Burma: fiscal year beginning 1 April for 1938, and fiscal years ending 30 September from 1947; southern Korea: fiscal years beginning 1 July.

a. Gross national product at factor cost.
b. Net domestic product at factor cost.
c. Gross national product at market prices.
d. 1937, in pre-war Taiwan yen.

N. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT

	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
BURMA[a] *(million kyats)*		b				c				c
1951	3,690	1,713	58	380	95	72	876	157	274	65
1952	4,084	1,853	74	416	126	80	994	162	312	67
1953	4,620	1,990	63	470	132	89	1,255	170	380	71
1954	4,593	1,994	49	492	165	113	1,110	177	416	77
1955	4,808	2,021	73	523	172	132	1,170	185	453	79
1956	5,025	2,080	77	534	160	135	1,268	194	488	89
1957	*5,244*	*2,215*	*83*	*568*	*168*	*150*	*1,245*	*203*	*520*	*92*
CHINA (Taiwan, *million new Taiwan dollars)*										
1950	6,117	2,223	69	855	330	425	797	...	878	540
1951	8,891	2,980	81	1,591	435	550	1,162	...	1,162	930
1952	12,960	4,494	273	2,070	623	657	2,190	...	1,446	1,207
1953	17,693	6,943	261	2,459	906	844	3,108	...	1,771	1,401
1954	18,525	6,133	311	3,139	1,077	905	3,123	...	2,302	1,535
1955	22,490	7,392	376	3,801	1,195	1,147	3,716	...	2,964	1,899
1956	25,980	8,523	585	4,468	1,338	1,356	4,251	...	3,202	2,257
HONG KONG[d] *(million Hong Kong dollars)*										
1954	3,960	115	15	1,300	130	300	700	260	340	800
INDIA *(thousand million rupees)*		e								
1948	86.7	42.5	0.6	14.2		15.5		3.9	4.0	6.0
1949	90.3	44.9	0.6	14.4		16.0		4.0	4.1	6.3
1950	95.5	48.9	0.7	14.6		16.2		4.1	4.3	6.7
1951	99.9	50.2	0.9	15.9		17.1		4.1	4.5	7.2
1952	98.3	48.1	0.9	16.1		17.1		4.3	4.6	7.2
1953	104.8	53.1	1.0	16.7		17.2		4.4	4.9	7.5
1954	96.2	43.5	1.0	17.1		17.3		4.5	5.2	7.6
1955	*96.5*	*42.2*	*1.0*	*17.7*		*17.7*		*4.5*	*5.6*	*7.8*

N. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT *(Cont'd.)*

	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
JAPAN *(thousand million yen)*								f		f
1938	20	4	1	6	1	2	3	...	1	4
1946	361	140	11	59	25	16	38	...	6	65
1947	968	343	30	199	48	36	134	...	22	157
1948	1,962	625	67	454	83	104	240	...	65	324
1949	2,738	751	69	708	102	202	367	...	106	432
1950	3,384	879	99	839	137	250	560	...	132	488
1951	4,528	1,128	168	1,126	172	331	792	...	182	629
1952	5,096	1,218	202	1,200	217	413	832	...	264	751
1953	5,759	1,267	171	1,396	273	494	912	...	1,246	
1954	6,050	1,305	152	1,450	291	540	984	...	1,328	
1955	6,766	1,488	132	1,622	325	602	1,099	...	1,498	
1956	7,718	1,424	177	2,014	366	707	1,340	...	1,690	
KOREA, southern[a] *(thousand million hwan)*					g	g		f	h	f
1953	478.4	205.0	9.5	57.9	5.8	4.0	79.2	...	39.5	77.4
1954	700.9	247.9	7.4	93.2	18.2	7.9	138.3	...	66.0	122.1
1955	1,140.4	463.8	14.8	126.5	26.6	7.3	227.1	...	109.2	165.0
MALAYA[i] *(million Malayan dollars)*										
1949	3,335	1,260	250				1,825			
1950	5,080	2,430	295				2,355			
1951	7,145	3,405	480				3,260			
1952	5,975	2,435	440				3,100			
1953	5,395	2,145	325				2,925			
PAKISTAN *(million rupees)*					j				k	j
1949	16,826	10,288	21	1,091	...	442	1,655	1,005	808	1,516
1950	17,160	10,323	26	1,150	...	504	1,669	1,036	858	1,594
1951	18,478	11,178	30	1,218	...	513	1,804	1,053	1,048	1,634
1952	18,289	10,847	37	1,325	...	529	1,772	1,072	1,032	1,675
1953	18,156	10,471	38	1,517	...	536	1,745	1,089	1,052	1,708
PHILIPPINES[d] *(million pesos)*							m	f	k	f m
1946	4,202	2,010	3	330	132	150	551	...	185	841
1947	5,364	2,446	16	426	243	191	702	...	252	1,088
1948	5,511	2,386	25	440	307	195	716	...	321	1,121
1949	5,464	2,308	40	440	276	193	709	...	377	1,121
1950	5,922	2,505	55	502	239	205	752	...	386	1,278
1951	6,487	2,787	79	630	237	228	838	...	431	1,257
1952	6,554	2,806	98	639	221	242	809	...	487	1,252
1953	7,015	3,009	107	834	236	242	780	...	544	1,263
1954	7,145	3,118	105	850	205	235	781	...	574	1,277
1955	7,624	3,161	121	1,001	230	250	861	...	648	1,352
1956	*8,335*	*3,322*	*141*	*1,198*	*260*	*286*	*953*	...	*700*	*1,475*
THAILAND[a] *(million baht)*									n	
1938	958	436	31	95	...	34	258	...	47	57
1946	10,333	6,272	9	1,146	...	139	1,414	...	237	1,116
1947	15,839	9,549	27	1,641	...	203	2,437	...	513	1,469
1948	18,457	11,211	95	1,706	...	224	3,047	...	615	1,559
1949	22,199	13,332	293	2,545	50	278	3,287	...	846	1,567
1950	25,595	14,650	395	3,239	163	316	3,865	...	1,058	1,910
1951	27,595	15,264	537	3,163	456	915	3,756	...	784	2,720
1952	29,040	14,212	563	3,347	889	1,200	4,506	...	1,320	3,003
1953	32,706	15,221	528	4,019	988	1,658	4,913	...	1,723	3,656
1954	31,312	14,061	547	3,885	972	1,824	4,608	...	1,598	3,817
1955	39,457	17,835	615	4,993	1,138	2,136	6,597	...	1,925	4,218
VIET-NAM, southern[a] *(million piastres)*										
1955	72,016	21,126	430	7,873	462	4,557	17,080	5,743	9,498	5,247

Sources and time reference: see table M.

a. Gross domestic product at market price.
b. Including milling and marketing of forest produce.
c. Private transportation included in "Other services".
d. National income.
e. Including processing, marketing and anciliary activities performed by the farmer in respect of his own produce.
f. Ownership of dwellings included in "Other services".
g. Private sector only.
h. Including government enterprises.
i. Gross domestic product at factor cost.
j. Construction included in "Other services".
k. Including all services of general government.
m. Banking, insurance and real estate services included in "Wholesale and retail trade".
n. Including salaries of government school teachers for 1938 and 1946-1950.

	Total	Consumption expenditure		Gross fixed capital formation			Increase in stocks	Exports less Imports of goods and services
		Private	General government	General government	Public enterprises	Private enterprises		
BURMA *(million kyats)*								
1938	1,458	915	114	17	8	122	31	251
1947	2,966	2,524	259	77	47	304	53	−298
1948	3,557	2,893	280	54	37	434	77	−218
1949	3,234	2,399	307	52	32	196	− 20	268
1950	3,132	2,328	321	60	31	239	− 11	164
1951	3,690	2,668	318	89	44	298	45	228
1952	4,084	2,724	395	176	50	384	133	222
1953	4,620	2,931	525	190	69	393	224	288
1954	4,593	2,986	698	253	182	398	178	−102
1955	4,808	3,129	638	322	240	344	103	32
1956	5,025	3,316	642	251	230	471	− 22	137
1957	*5,244*	*3,554*	*750*	*—495—*		*515*	...	*− 70*
CEYLON *(million rupees)*		a		b				
1938	703	549	95	—5—		34	...	20
1947	2,509	2,193	320	32		98	...	−134
1948	2,817	2,272	352	70		105	...	18
1949	3,077	2,459	394	123		153	...	− 52
1950	4,096	3,118	387	213		222	...	156
1951	4,735	3,614	411	224		332	...	154
1952	4,530	3,773	472	307		302	...	−324
1953	4,641	3,751	535	314		245	...	−204
1954	5,014	3,651	540	298		202	...	323
1955	5,538	4,044	564	353		271	...	306
1956	5,226	3,834	685	376		265	...	66
China (Taiwan; *million new Taiwan dollars)*								
1951	10,821	7,074	1,875	—1,308—			1,089	−525
1952	15,750	10,366	2,693	2,019			1,445	−773
1953	21,203	15,475	3,145	2,540			1,292	−1,249
1954	23,158	17,194	3,935	2,737			1,399	−2,107
1955	27,889	20,147	4,792	3,487			577	−1,114
INDIA *(thousand million rupees)*								
1948	94.3	82.5	6.4	—2.1—		5.8	...	− 2.5
1949	98.6	84.7	5.4	2.7		6.4	...	− 0.6
1950	104.3	88.5	5.6	2.7		7.0	...	+ 0.5
1951	109.8	95.0	5.8	3.0		7.9	...	− 1.9
1952	107.8	90.5	6.0	3.0		7.8	...	+ 0.5
1953	114.7	96.8	6.4	3.4		7.9	...	+ 0.3
1954	...	...	6.7	4.3		...	...	...
JAPAN *(thousand million yen)*								
1938	27	14	7	—1—		5	1	—
1946	474	333	55	30		48	28	− 19
1947	1,309	915	102	146		117	82	− 53
1948	2,667	1,741	282	258		258	236	−109
1949	3,376	2,261	394	299		324	208	−110
1950	3,934	2,382	435	191		450	368	107
1951	5,528	3,000	521	443		681	571	212
1952	6,101	3,651	682	474		809	395	91
1953	7,156	4,311	768	643		927	408	− 1
1954	7,426	4,670	846	593		895	265	159
1955	8,255	5,076	907	729		921	456	167
1956	9,320	5,416	1,029	681		1,544	712	− 62
KOREA, southern *(thousand million hwan)*								
1953	478	491	49	—3—		30	...	− 94
1954	701	667	91	8		70	...	−135
1955	1,140	1,028	149	27		108	...	−171
MALAYA *(million Malayan dollars)*								
1949	3,550	2,790	348	—92—		215	70	35
1950	5,345	3,400	369	91		240	− 90	1,335
1951	7,520	4,910	562	168		325	− 35	1,590
1952	6,350	4,600	699	251		405	100	295
1953	5,780	4,370	770	235		340	25	40
PHILIPPINES *(million pesos)*								
1946	4,643	4,053	360	—13—		245	126	−154
1947	5,964	5,221	406	53		477	167	−360
1948	6,222	5,194	402	137		508	123	−143
1949	6,196	5,594	450	198		401	67	−514
1950	6,655	5,533	476	188		297	84	77
1951	7,415	6,371	540	162		329	68	− 55
1952	7,576	6,479	600	161		325	100	− 55
1953	8,111	6,816	631	165		394	117	5
1954	8,283	6,960	654	167		396	156	− 50
1955	8,820	7,501	718	173		451	165	−188
1956	*9,546*	*7,930*	*773*	*178*		*547*	*126*	*− 8*
VIET-NAM, southern *(million piastres)*								c
1955	72,016	61,190	14,059	123	627	2,619	—	−6,602

Sources and time reference: see table M.
a. Including statistical discrepancy and value of exports financed by personal remittances abroad.
b. Including the cost of acquiring land and existing assets, minor repairs and maintenance.
c. Including statistical discrepancy.

P. RELATIONSHIPS BETWEEN NATIONAL INCOME AND OTHER AGGREGATES

	Gross domestic product at market prices	Less indirect taxes	Plus subsidies	Gross domestic product at factor cost	Less depreciation	Net domestic product at factor cost	Less net factor income payments abroad	Net national product at factor cost (national income)
BURMA *(million kyats)*								
1938	1,458	− 80	1	1,379	− 81	1,298	− 85	1,213
1949	3,234	−150	35	3,119	−205	2,914	− 13	2,901
1950	3,132	−204	37	2,965	−213	2,752	− 8	2,744
1951	3,690	−284	29	3,435	−228	3,207	− 8	3,199
1952	4,084	−324	10	3,770	−245	3,525	− 5	3,520
1953	4,620	−350	16	4,286	−255	4,031	+ 2	4,033
1954	4,593	−423	12	4,182	−269	3,913	+ 8	3,921
1955	4,808	−415	9	4,402	−280	4,122	− 1	4,121
1956	5,025	−396	9	4,638	−290	4,348	− 12	4,336
1957	5,244	...	...	...	−305	...	...	...
CEYLON *(million rupees)*								
1938	703	− 61		642	...	...	− 47	595[a]
1949	3,077	−175		2,902	...	...	− 29	2,873
1950	4,096	−202		3,894	...	...	− 54	3,840
1951	4,735	−163		4,572	...	...	− 64	4,508
1952	4,530	− 65		4,465	...	...	− 45	4,420
1953	4,641	−185		4,456	...	...	− 38	4,418
1954	5,014	−299		4,715	...	...	− 47	4,668
1955	5,538	−282		5,256	...	...	− 61	5,195
1956	5,226	−277		4,949	...	...	− 50	4,899
China (Taiwan; *million new Taiwan dollars)*								
1950	7,349	− 812	—	6,537	− 420	6,117	− 11	6,106
1951	10,785	−1,270	13	9,528	− 637	8,891	− 6	8,885
1952	15,827	−2,140	130	13,817	− 857	12,960	− 3	12,957
1953	21,296	−2,661	4	18,639	− 946	17,693	− 3	17,690
1954	23,070	−3,465	95	19,700	−1,175	18,525	− 4	18,521
1955	27,885	−3,978	4	23,911	−1,421	22,490	− 4	22,486
1956	32,228	−4,545	18	27,701	−1,721	25,980	− 5	25,975
HONG KONG *(million Hong Kong dollars)*								
1949	2,506	−152		2,354	− 25	2,330	− 55	2,275
1950	2,995	−176		2,819	− 30	2,789	− 60	2,729
1951	3,011	−195		2,816	− 36	2,780	− 60	2,720
1952	3,451	−205		3,246	− 46	3,200	− 60	3,140
INDIA *(thousand million rupees)*								
1949	98.6	− 4.9	0.4	94.0	− 3.7	90.3	− 0.2	90.1
1950	104.3	− 5.4	0.4	99.3	− 3.8	95.5	− 0.2	95.3
1951	109.8	− 6.3	0.4	103.9	− 4.0	99.9	− 0.2	99.7
1952	107.8	− 5.6	0.4	102.5	− 4.2	98.3	− 0.1	98.2
1953	114.7	− 5.8	0.1	109.0	− 4.2	104.8	—	104.8
1954	...	− 6.3	0.1	...	...	96.2	—	96.2
1955	...	...	...	...	...	*96.5*	—	*96.5*
JAPAN[b] *(thousand million yen)*								
1938	27	− 2	—	25	− 2	20	—	20
1948	2,667	−353	110	2,424	−108	1,962	− 1	1,962
1949	3,376	−490	211	3,097	−158	2,738	− 1	2,737
1950	3,934	−408	62	3,594	−207	3,384	− 2	3,382
1951	5,528	−519	37	5,046	−280	4,528	− 3	4,525
1952	6,101	−627	51	5,525	−359	5,096	− 11	5,085
1953	7,156	−715	46	6,487	−473	5,759	− 11	5,748
1954	7,426	−749	15	6,692	−556	6,050	− 29	6,021
1955	8,255	−772	8	7,491	−633	6,766	− 25	6,741
1956	9,320	−865	7	8,462	−763	7,718	− 33	7,685
MALAYA *(million Malayan dollars)*								
1949	3,550	−215	...	3,335	...	...	−150	3,185[a]
1950	5,345	−265	...	5,080	...	...	−580	4,500
1951	7,520	−375	...	7,145	...	...	−680	6,465
1952	6,350	−375	...	5,975	...	...	−195	5,780
1953	5,780	−385	...	5,395	...	...	− 90	5,305
PHILIPPINES *(million pesos)*								
1949	6,196	−347		5,849	−325	5,524	− 60	5,464
1950	6,655	−368		6,287	−335	5,952	− 30	5,922
1951	7,415	−510		6,905	−370	6,535	− 48	6,487
1952	7,576	−580		6,996	−385	6,611	− 57	6,554
1953	8,111	−579		7,532	−408	7,124	−109	7,015
1954	8,283	−618		7,665	−407	7,258	−113	7,145
1955	8,820	−633		8,187	−430	7,757	−133	7,624
1956	*9,546*	*−639*		*8,907*	*−441*	*8,466*	*−131*	*8,335*
THAILAND *(million baht)*								
1938	958	− 55		903	− 48	855	...	...
1949	22,199	−1,025		21,174	−1,110	20,064	...	...
1950	25,595	− 938		24,657	−1,280	23,377	...	...
1951	27,595	−1,469		26,126	−1,380	24,746	...	...
1952	29,040	−1,744		27,296	−1,452	25,844	...	...
1953	32,706	−1,916		30,790	−1,635	29,154	...	...
1954	31,312	−2,171		29,141	−1,566	27,575	...	...
1955	39,457	−2,534		36,923	−1,973	34,950	...	...
VIET-NAM, southern *(million piastres)*								
1955	72,016	−6,338	48	65,726	−3,245	62,481	−652	61,829

Source and time reference: see table M.
a. Gross national product at factor cost.
b. Items do not reconcile on account of statistical discrepancy.

1. REGIONAL STATISTICAL SERIES

Annual, quarterly and monthly figures

	1950	1951	1952	1953	1954	1955	1956	1956		1957			
								III	IV	I	II	Jul	Aug
POPULATION *(Mid-year, million)*													
Including mainland China	1,300	1,321	1,345	1,368	1,393	1,418	1,443	...	...	...	...	...	...
Excluding mainland China	754	763	776	787	798	810	822	...	...	...	...	...	...
AGRICULTURAL PRODUCTION[a] *(million tons)*													
Index of agricultural production (excluding mainland China) *(1934-38=100)*													
All commodities	...	...	...	114	117	121	124	...	...	...	...	...	...
Food	...	...	...	116	118	121	124	...	...	...	...	...	...
Cereals	...	...	...	115	113	117	122	...	...	...	...	...	...
Cereals	101.0	102.1	107.6	121.3	119.7	121.5	126.6	...	...	...	...	...	...
Rice (milled)	65.2	65.1	69.0	76.6	71.5	77.4	81.6	...	...	...	...	...	...
Wheat	13.6	13.8	12.6	13.5	15.6	15.9	15.8	...	...	...	...	...	...
Maize	4.9	5.1	5.5	6.7	7.5	6.6	7.0	...	...	...	...	...	...
Millet and sorghums	12.6	12.5	14.7	18.1	17.8	14.7	15.4	...	...	...	...	...	...
Starchy root crops	25.5	25.5	28.2	29.6	31.2	32.9	32.9	...	...	...	...	...	...
Potatoes	5.2	4.9	5.1	5.2	5.3	5.6	5.4	...	...	...	...	...	...
Sweet potatoes and Yams	12.3	11.2	13.4	12.8	12.9	14.8	15.1	...	...	...	...	...	...
Cassava	8.0	9.4	9.7	11.6	13.0	12.5	12.4	...	...	...	...	...	...
Oilseeds													
Groundnuts (in shell)	4.1	3.9	3.6	4.2	5.0	4.7	5.0	...	...	...	...	...	...
Copra	2.0	2.5	2.3	2.2	2.4	2.4	2.6	...	...	...	...	...	...
Tea	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.2	0.1	0.1	0.1	0.1	0.1
Tobacco	0.6	0.6	0.6	0.6	0.8	0.8	0.8	...	...	...	...	...	...
Fibres													
Cotton (lint)	0.9	1.0	1.0	1.1	1.3	1.2	1.3	...	...	...	...	...	...
Jute	1.7	2.0	2.1	1.2	1.4	1.8	1.8	...	...	...	...	...	...
Natural rubber[a]	1.8	1.8	1.7	1.6	1.7	1.8	1.8	0.5	0.5	0.4	0.4	0.2	...
INDUSTRIAL PRODUCTION *(thousand tons)*													
Provisional index of industrial production *(1953=100)*[b]	65	83	89	100	107	116	136	139	140	142	156	...	...
Mining	82	90	95	100	100	104	111	111	115	114	122	...	...
Manufacturing	63	82	88	100	108	118	139	142	142	145	159	164	150
Coal *(million tons)*	75.2	82.1	85.2	88.3	84.9	86.6	91.9	22.7	24.8	24.9	25.9	8.3	9.0
Iron ore *(million tons)*	5.22	6.81	7.77	7.70	8.41	8.91	10.34	2.84	2.79	2.73	3.03	1.02	1.03
Tin in concentrates	103.5	101.4	104.9	104.5	109.8	109.5	108.7	28.7	27.8	24.6	24.8	8.9	9.0
Petroleum, crude *(million tons)*	11.14	13.10	14.26	15.83	16.37	17.90	19.24	4.84	4.96	4.97	5.47	1.90	1.94
Salt	4,310	4,641	4,860	4,955	4,562	5,038	4,759	906	472	832	2,913	361	338
Sugar	2,515	2,812	3,647	3,973	3,783	4,664	4,837	...	...	...	...	...	...
Cotton yarn	816	981	1,076	1,219	1,346	1,380	1,490	379	396	395	401	136	132
Cotton fabrics *(million metres)*	4,980	5,980	6,606	7,545	8,153	8,188	8,839	2,254	2,299	2,248	2,300	...	...
Jute manufactures	854	896	992	942	1,013	1,145	1,268	312	294	297	300	100	98
Paper and paper board	706	1,333	1,525	1,946	2,136	2,478	2,859	727	772	780	847	291	282
Vegetable oils	740	785	839	879	969	1,084	1,150	295	289	291	286	104	100
Cement *(million tons)*	8.4	11.4	12.5	14.6	17.5	17.6	20.6	5.3	5.5	5.6	6.1	1.9	1.9
Steel (ingots & metal for castings)	6,313	8,040	8,616	9,234	9,520	11,207	12,707	3,302	3,468	3,604	3,804	1,292	1,186
Tin metal	70.7	67.8	64.7	64.9	74.5	74.5	76.9	18.7	19.4	19.1	18.5	5.8	6.7
Electricity *(thousand million kWh)*	53.4	57.5	62.4	67.7	73.3	78.8	89.6	22.7	23.7	22.4	25.3	8.9	8.6
TRANSPORT													
Railway traffic *(thousand million)*													
Passenger kilometres	148.2	147.7	152.8	157.5	163.5	170.9	182.0	45.4	44.9	47.0	48.4	15.6	...
Freight ton-kilometres	82.0	92.9	96.5	100.0	98.3	107.5	117.5	29.2	31.3	32.3	32.2	10.3	...
International sea-borne shipping *(million tons)*													
Freight loaded	22.2	25.8	29.6	34.9	36.7	40.2	42.2	10.5	11.0	10.6	11.0	...	...
Freight unloaded	32.4	46.5	50.5	62.0	64.5	70.2	83.0	21.0	23.4	22.7	27.4	...	...
EXTERNAL TRADE													
Total value *(million US dollars)*													
Exports	6,746	9,737	7,656	6,900	7,244	8,325	8,824	2,147	2,377	2,359	2,216	838	838
Imports	5,983	9,487	9,367	8,549	8,307	8,765	10,446	2,612	2,806	3,082	3,386	1,173	1,134
Direction of trade *(million US dollars)*													
Exports to:—													
ECAFE countries	2,432	3,522	2,964	2,562	2,539	2,667	2,964	716	794	821	784	...	...
Western Europe (including U.K.)	1,690	2,713	1,863	1,759	1,789	2,122	2,178	521	587	596	504	...	...
U.K.	696	1,249	840	744	845	1,004	1,004	253	251	263	232	...	...
U.S.A.	1,392	1,641	1,390	1,238	1,172	1,526	1,526	378	410	369	375	...	...
Sterling area	2,574	4,006	2,851	2,339	2,691	2,962	2,971	732	803	813	759	...	...
Imports from:—													
ECAFE countries	2,217	3,364	3,100	2,794	2,679	3,059	3,376	793	838	946	939	...	...
Western Europe (including U.K.)	1,384	2,349	2,436	2,221	2,188	2,220	2,568	673	620	738	794	...	...
U.K.	720	1,029	1,073	930	902	956	1,132	300	270	313	314	...	...
U.S.A.	1,243	1,992	2,193	1,800	1,813	1,875	2,382	606	679	763	967	...	...
Sterling area	2,140	2,954	2,914	2,682	2,400	2,658	3,072	764	786	884	936	...	...

1. REGIONAL STATISTICAL SERIES (*Cont'd*)

Annual, quarterly and monthly figures

	1950	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 Jul	1957 Aug
EXTERNAL TRADE (*Cont'd*)													
Quantum index[c] (*1953=100*)													
Exports	93	100	100	100	109	124	132	131	144	141	131	...	...
Imports	75	96	98	100	105	109	127	130	136	145	159	...	...
Unit value index[c] (*in US dollars, 1953=100*)													
Exports	103	140	111	100	98	99	98	96	98	98	99	...	...
Imports	91	117	114	100	94	95	98	97	99	102	104	...	...
Terms of trade[c] (*1953=100*)	113	120	98	100	104	104	100	100	99	97	95	...	...
Export of primary products[d]													
Quantum indexes (*1953=100*)													
General	92	101	98	100	101	108	109	105	116	119	109	115	118
Food	86	99	96	100	107	108	115	109	124	132	120	126	133
Agricultural materials	101	107	101	100	99	109	105	100	109	110	95	106	98
Mineral products	67	81	95	100	95	100	111	113	124	116	143	121	163
Unit value index (*1953=100*)													
General	112	148	117	100	100	108	102	99	100	110	102	107	100
Food	90	94	100	100	105	95	92	89	96	96	86	89	89
Agricultural materials	129	190	131	100	97	120	110	106	103	124	117	126	110
Mineral products	83	105	109	100	93	94	101	101	102	105	106	97	102
Quantity of exports (*thousand tons*)													
Food													
Fish, fresh or simply preserved	97	121	145	153	164	180	173	42	42	53	34	*15*	*15*
Rice and rice products	2,748	3,410	2,945	2,654	2,987	3,294	3,244	681	891	1,035	1,164	*376*	*414*
Sugar	1,031	857	1,255	1,755	1,604	1,689	1,632	282	370	657	562	127	111
Tea	368	432	394	436	459	408	458	114	135	114	76	37	40
Spices	53	49	62	59	74	80	90	25	25	16	*16*	7	6
Agricultural materials													
Hides and skins, raw	49	44	22	24	24	22	20	4	7	7	14	2	2
Oilseeds, oil nuts & oil kernels	1,262	1,518	1,205	1,086	1,285	1,275	1,456	410	428	345	364	141	176
Rubber, natural	1,751	1,756	1,692	1,611	1,688	1,782	1,699	434	472	427	393	170	142
Wood and lumber	700	1,024	1,270	1,680	1,986	2,375	2,687	745	716	597	717	188	177
Cotton, raw	254	260	313	354	186	276	226	32	28	75	50	5	5
Jute, raw	942	1,078	841	982	892	981	858	122	195	322	98	26	24
Hemp, raw	111	149	127	132	122	135	148	36	34	43	35	13	13
Vegetable oils, not essential	457	425	495	404	499	602	515	130	129	93	91	51	43
Mineral products													
Iron ore	1,237	2,044	3,152	3,728	3,540	4,399	5,636	1,648	1,456	1,184	2,202	726	696
Tin ore and concentrates	44	42	46	45	45	44	45	12	13	*9*	*10*	*3*	4
Manganese ore	823	1,162	1,463	1,593	1,006	936	712	153	181	430	491	97	171
Coal	1,048	2,451	2,729	2,201	2,063	1,562	1,940	596	441	431	411	147	190
Crude petroleum	3,768	4,974	5,670	6,963	7,083	8,219	10,049	2,388	2,836	2,666	*3,353*	...	...
GOLD AND FOREIGN EXCHANGE ASSETS[er] (*end of period, million US dollars*)	3,819	4,092	4,681	4,378	4,413	5,044	4,780	4,860	4,780	4,539	3,972	3,897	3,814

GENERAL NOTES: In general, the regional statistical series cover the countries of the ECAFE region except mainland China, Nepal and, in most of the cases, Afghanistan; in some cases, other countries have also been omitted because of lack of data. Except in the case of mainland China, countries omitted from the regional series are, from the point of view of the series, usually less important. To ensure comparability, the countries included in different periods for each series are the same.

a. Crop year beginning from the year stated. FAO source except rubber for which the International Rubber Study Group figures are used.

b. The index includes manufacturing and mining production only. The manufacturing index is computed as the arithmetic average of national indexes for China (Taiwan), India, Japan and the Philippines, weighted according to the net domestic product originated from manufacturing in the base year in terms of United States dollars. Income originating from manufacture in these four countries accounts for about 80 per cent of income from manufacturing in the region as a whole, excluding mainland China. The mining index is an arithmetic average of national indexes for 12 countries, weighed by the net domestic product originated from mining in the base year. National indexes compiled by governments are used for China (Taiwan), India, Japan and the Philippines; special indexes compiled by the Secretariat based on the quantity of mineral production, weighed by base year prices, have been constructed for Brunei, Burma, Indonesia, southern Korea, Malaya, Pakistan and Thailand, the value added for each product not being available. The value of mineral products included in the regional index accounts for about two-thirds of income originating from mining in the region, excluding mainland China. The regional manufacturing and mining indexes have been combined to form the regional index of industrial production, weighed according to the net domestic product originating in the base year in these two sectors for countries for which such statistics are available.

c. Based on quantum indexes of exports and imports compiled by governments for Burma, Ceylon, China (Taiwan), India, Japan, Malaya and the Philippines. Quantum indexes for Indonesia, Pakistan and Thailand are derived from unit value indexes. These ten national indexes are combined to form the regional index with the dollar values of exports and imports in the base year 1953 as weights. Exports of the countries included in the index account for 88 per cent of total exports of the region, excluding mainland China, in the base year, and imports of the countries included in the index account for 85 per cent of total imports of the region, again excluding mainland China. Intra-regional trade is not deducted, and the index shows changes in the total quantum of trade of ECAFE countries, and not changes in the trade of the region vis-à-vis other regions. The regional unit value indexes of exports and imports are derived from the regional quantum indexes and the total values of exports and imports of these ten countries in United States dollars.

d. Exports of 18 primary products and food from 16 countries (excluding Afghanistan, mainland China and Nepal) are included in the index. To minimize the effect of transit trade, only export of domestic produce is included for Hong Kong and net export of rubber is used for Malaya and Singapore. The quantity of exports of each item is totalled for 16 countries, and relatives with 1953 as the base have been computed. These quantity relatives have been then weighed by the total value of exports of each commodity in 16 countries in terms of United States dollars in 1953 to form the quantum index. The unit value index is derived by dividing the quantum index into the index of total value of exports in United States dollars. The commodities included in the index account for 44 per cent of the total value of exports from the 16 countries. (If Hong Kong and Japan are excluded, the percentage is increased to 58.)

e. Figures prior to 1955 excluded Viet-Nam.

2. INDEX NUMBERS OF PRODUCTION

1953=100[a]

	Weight	1948[e]	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
CHINA (Taiwan)[f]													
Industrial production[b]	100.0	40	100	107	119	125	‖131	141	138	146	152	162	...
Mining and quarrying	10.5	75	100	100	114	120	110	123	109	140	128	168	...
Coal	7.4	69	100	88	99	106	101	120	109	118	123	137	...
Manufacturing[b]	76.6	33	100	107	120	125	‖135	144	144	148	158	161	...
Food[b]	19.0	28	100	85	101	104	‖151	172	168	138	182	191	...
Textiles	17.8	9	100	116	122	115	113	116	110	128	133	141	...
Chemicals	9.5	46	100	109	120	134	131	139	150	156	152	173	...
Construction of buildings	1.1	...	100	106	145	104	94	133	85	93	122	...	...
Public utilities	11.9	49	100	115	123	135	134	142	143	146	151	158	...
Electricity	7.6	54	100	115	126	144	143	153	154	158	167	177	...
INDIA													
Industrial production	100.0	...	100	107	115	135	137	130	133	149	142	127	...
Mining	7.2	...	100	103	107	110	106	114	123	122	114	117	...
Manufacturing	90.7	...	100	107	116	137	139	130	133	151	143	126	...
Food	11.8	...	100	96	115	207	203	146	130	306	252	187	...
Textiles	48.0	...	100	103	106	112	114	110	113	109	107	102	111
Rubber products	3.4	...	100	117	129	140	144	139	156	153	157	104	...
Chemicals	4.2	...	100	108	122	131	132	134	140	134	138	134	...
Non-metallic mineral products[c]	3.3	...	100	115	124	142	137	153	159	148	151	161	...
Basic metal industries	8.0	...	100	121	119	124	126	126	130	124	124	125	...
Non-electrical machinery	0.6	...	100	153	205	261	253	300	336	354	367	326	...
Electrical machinery	1.5	...	100	112	138	184	190	198	213	210	220	188	...
Transport equipment	2.9	...	100	113	171	236	254	254	278	229	242	217	...
Electricity	2.1	...	100	112	116	145	144	151	156	165	166	162	...
INDONESIA													
Export products													
General[d]	...	63	100	108	109	*108*	...	...	...	...	...	...	...
Estate	...	60	100	100	99	*95*	...	...	...	...	...	...	...
Peasantry	...	66	100	123	117	*110*	...	...	...	...	...	...	...
Mining	...	64	100	105	111	*117*	...	...	...	...	...	...	...
Estate products (7 items)	...	61	100	99	94	92	92	91	92	...	...	...	...
JAPAN													
Industrial production	100.0	38	‖100	108	116	142	143	150	150	164	164	165	*164*
Manufacturing and mining	95.7	35	‖100	107	116	142	143	151	150	165	164	166	*164*
Mining	12.9	65	‖100	95	96	106	106	115	110	118	115	117	*124*
Manufacturing	82.8	33	‖100	109	119	146	147	154	154	170	169	171	*168*
Non-durable	47.8	27	‖100	114	128	144	151	155	154	169	169	175	*175*
Textiles	17.1	29	‖100	107	112	131	136	143	135	144	145	146	*150*
Chemicals	16.7	24	‖100	123	147	170	170	175	184	210	207	223	*221*
Durable	35.0	36	‖100	102	106	144	142	153	155	170	169	165	*159*
Metals	12.9	22	‖100	105	119	145	148	157	167	176	172	153	*146*
Machinery and transport equipment	14.6	40	‖100	97	94	148	139	154	150	174	175	179	*172*
Public utilities	4.3	62	‖100	107	115	134	130	144	144	148	148	151	*149*
KOREA, southern (1954=100)													
Industrial production	100.0	...	...	100	119	143	156	161	145	194	189	211	...
Mining	10.0	...	...	100	115	145	137	151	161	194	194	207	...
Manufacturing	87.0	...	...	100	120	143	155	163	143	196	192	214	...
Textiles	48.0	...	...	100	119	142	143	165	162	186	189	198	...
Metal products and machinery	13.0	...	...	100	128	179	194	228	190	226	226	283	...
Electricity	3.0	...	...	100	98	124	132	148	148	138	143	151	...
PHILIPPINES													
Manufacturing	100.0	...	100	112	124	143	137	153	146	156	158	...	...
Non-durable manufacturing	69.7	...	100	106	118	135	127	146	140	148	147	...	...
Tobacco products	16.2	...	100	123	148	132	108	132	132	161	155	...	...
Textiles	8.5	...	100	97	78	104	101	120	134	116	131	...	...
Footwear and wearing apparel	7.5	...	100	105	111	77	74	76	74	72	72	...	...
Chemicals	19.4	...	100	106	123	153	157	155	150	155	163	...	...
Durable manufacturing	30.3	...	100	125	134	166	176	170	157	174	195	...	...
Stone, clay and glass products (including cement)	36.1	...	100	98	95	106	102	106	106	119	122	...	...
Metal products	6.0	...	100	112	146	220	248	227	186	196	246	...	...
Electrical appliances	4.6	...	100	113	153	182	235	182	236	251	293	...	...
Mining	...	...	100	94	102	113	119	118	115	129	...	...	...

a. Original base: *China*, 1954; *India*, 1951; *Indonesia*, 1938; *Japan*, 1934-36 for 1948, 1950 since 1953; *Korea*, 1955; *Philippines*, 1952 for 1953 to 1954 and 1955 since 1955.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c. Manufactures of non-metallic mineral products except products of petroleum and coal.

d. 18 products, including forest products (jungle wood and rattan).

e. For Indonesia, figures relate to 1949.

3. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months

	1948	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
NATURAL RUBBER[a]													
Cambodia	1.4	1.5	1.9	2.0	2.3	2.7	2.8	3.8	1.6	2.3	3.0	2.3	...
Ceylon	8.0	8.2	8.3	8.0	7.9	8.1	9.2	9.8	6.5	7.2	10.1	9.0	9.1
India	1.3	1.7	1.8	1.8	1.9	2.0	2.0	2.7	1.6	1.5	2.2	2.8	2.9
Indonesia	36.6	63.5	58.6	62.5	62.1	58.1	66.8	66.0	50.5	54.0	74.7	55.9	47.4
Malaya including Singapore	59.1	49.5	48.6	49.5	54.1	53.1	54.2	54.7	54.1	49.4	56.1	56.8	58.0
Sarawak	3.4	2.7	2.0	2.0	3.3	3.4	3.1	3.3	3.7	3.5	3.2	3.0	2.8
Viet-Nam	2.3	3.4	4.2	4.6	5.5	5.9	6.1	7.9	2.8	4.7	5.5	5.7	7.4
COAL													
China (Taiwan)	138	191	199	177	197	211	201	240	218	235	245	274	...
India	2,551	3,074	3,046	3,123	3,237	3,339	3,250	3,446	3,658	3,676	3,493	3,610	3,983
Indonesia	45	81	75	75	68	69	74	60	60	58	53	...	...
Japan	2,810	3,613	3,878	3,560	3,535	3,880	3,826	4,283	4,109	4,410	4,202	4,269	4,674
Korea, southern	67	48	72	74	109	151	143	165	175	184	203	233	255
Malaya,[b] Federation of	32	27	24	19	17	15	14	15	17	14	11	11	10
Pakistan[c]	20	51	49	47	45	55	52	52	...	...	...	...	...
IRON ORE[d]													
Hong Kong	—	11	10	8	10	10	9	10	9	7	8	9	7
India	193	332	309	333	361	367	341	406	393	399	350	401	405
Japan[e]	47	116	128	136	126	159	186	180	149	181	218	217	207
Korea, southern	—	2	2	3	2	5	7	5	10	17	17	16	18
Malaya, Federation of	—	89	90	103	124	207	293	210	227	282	317	293	171
Philippines	18	97	101	119	119	121	139	117	121	123	108	109	...
TIN CONCENTRATES *(tons)*													
Burma	97	93	*80*	*80*	*80*	*78*	*80*	*80*	*80*	*80*	*60*	*60*	*70*
China	406	*450*	*525*	*625*	*700*	*700*	*700*	*700*	*700*	*800*	*800*	*800*	*800*
Indonesia	2,592	2,964	2,858	3,036	2,825	2,545	3,010	2,695	1,967	2,121	2,665	3,067	2,674
Japan	10	54	62	61	76	78	80	80	73	82	80	87	...
Laos & Viet-Nam	3	12	22	*9*	*21*	*20*	*20*	*20*	*30*	*30*	*30*	*30*	*30*
Malaya, Federation of	3,794	4,812	4,763	5,139	5,186	5,274	5,209	5,264	5,005	4,878	5,028	5,051	5,077
Thailand	359	802	885	828	933	1,057	1,159	1,130	1,060	1,070	1,152	1,227	1,227
PETROLEUM, CRUDE[f]													
Brunei	224	423	407	399	433	468	470	472	457	466	466	...	...
Burma	4	10	12	15	18	19	20	20	27	36	37	35	30
Indonesia	361	710	852	898	982	1,061	1,067	1,113	1,118	1,266	1,358	...	...
Japan	13	26	25	25	29	29	26	26	26	26	28	28	27
Pakistan	5	18	20	22	23	24	24	24	24	25	...	...	...
Sarawak	4	4	4	6	6	6	6	6	6	6	...	...	...
SALT													
China (Taiwan)	30.5	26.0	13.5	30.7	35.1	25.4	10.6	11.2	16.0	37.8	16.0	64.0	...
India	197.6	239.1	268.5	229.9	252.2	276.9	145.5	56.8	191.6	772.2	173.3	86.2	5.7
Indonesia	29.7	26.9	22.3	10.9	3.8	9.1	0.2	36.3	—	—	...	...	...
Japan[g]	24.3	36.1	38.4	35.4	46.1	52.3	70.4	57.7	54.4	72.4	76.0	71.6	...
Korea, southern	...	17.0	16.1	15.0	29.5	16.4	33.5	7.4	0.3	61.7	40.8	50.3	18.4
SUGAR[h]													
China (Taiwan)	24.6	52.0	76.7	53.5	66.9	64.6	—	65.5	189.3	22.8	—	—	...
India	91.0	126.5	109.3	85.3	135.0	165.1	6.6	150.8	370.1	159.0	8.7	17.7	107.0
Indonesia	...	38.4	51.6	59.8	71.4	63.7	158.5	22.2	—	96.2	167.8	32.0	—
Pakistan	0.8*	5.4	7.3	6.4	8.0	7.4	—	3.4	19.8	6.4	2.6	...	...
Philippines	30.1	81.4	85.7	108.4	103.7	97.0	...	...	...	...	...	...	...
TEA													
Ceylon	11.3	12.0	13.0	13.9	14.4	14.2	10.6	15.5	16.0	18.7	11.6	12.3	16.4
China (Taiwan)	0.9	1.0	1.4	1.6	1.1	1.1	1.3	0.8	0.5	1.7	1.5	1.3	...
India	21.5	23.2	23.0	24.1	25.0	25.1	45.4	26.1	4.1	23.5	44.5	48.0	27.3
Indonesia	...	3.1	3.1	3.9	3.6	3.5	3.2	4.0	3.8	3.9	3.4	4.4	4.5
Pakistan	2.2*	2.0	2.1	2.1	2.0	2.1	3.7	2.7	0.2	1.3	3.4	3.6	2.3
COTTON YARN													
China (Taiwan)	—	1.1	1.6	1.9	2.1	2.0	2.0	2.1	2.0	2.2	2.6	2.6	...
Hong Kong	...	2.5	2.7	3.3	3.5	3.8	3.6	3.6	3.7	3.9	4.2	4.4	4.2
India	54.7	54.8	56.9	59.0	61.8	63.2	65.3	66.1	67.9	66.7	67.3	64.4	66.2
Japan	10.4	29.4	34.5	38.7	34.9	41.1	42.0	44.7	42.7	45.7	44.2	39.2	39.0
Korea, southern	0.5	0.8	1.1	1.7	2.2	2.6	2.3	3.2	3.2	3.4	3.3	3.7	4.0
Pakistan	0.2	0.8	4.5	7.3	10.4	11.4	10.9	12.0	11.6	11.7	...	...	...
COTTON FABRICS *(Mn metres)*													
Ceylon *(Mn sq. metres)*	0.5	0.7	0.6	0.4	0.4	0.6	0.5	0.5	0.1	0.4	...	...	...
China (Taiwan)	1.0	7.1	10.9	13.8	13.6	11.6	11.8	11.3	10.8	12.6	12.9	15.0	...
India	337	350	372	381	388	404	418	412	418	408	403	380	392
Indonesia	...	2.4	3.6	3.8	4.2	4.4	4.3	4.7	4.7	...	...	...	...
Japan *(Mn sq. metres)*	64	156	196	222	210	242	243	256	251	278	270	277	277
Korea, southern *(Mn sq. metres)*	2.4	4.2	6.0	8.0	8.4	10.2	9.3	12.4	12.9	13.7	...	...	...
Pakistan	6.7	13.3	19.2	26.5	34.5	38.1	38.1	42.5	40.3	38.5	39.9	...	...
Philippines	0.6	0.5	0.9	1.1	0.9	1.4	1.7	1.3	1.6	1.1	1.0	0.5	0.8
JUTE MANUFACTURES													
China (Taiwan) (Gunny bag. *1,000 pcs*)	228	549	701	754	898	1,050	992	1,190	1,067	1,056	799	1,101	...
India	92.2	80.6	73.6	78.6	87.0	92.5	90.8	84.4	85.9	86.1	86.0	84.8	93.4
Pakistan	...	1.5‡	4.2‡	4.5	7.5	12.1	12.0	12.3	11.9	12.8	13.1	...	...
PAPER													
China (Taiwan)	0.8	2.0	2.0	2.5	2.8	3.6	3.5	3.7	3.8	3.9	4.2	6.2	...
India	4.3	7.7	8.1	8.7	10.1	10.4	10.7	10.8	10.3	10.4	10.6	11.0	...
Japan[i]	35.3	111.9	146.8	160.1	193.6	214.0	218.0	232.7	234.9	257.4	254.7	252.4	...
Korea, southern	...	0.9	0.8	1.5	1.7	2.0	2.1	1.9	1.6	1.7	1.8	2.0	1.5
Pakistan	...	...	...	...	1.1	1.4	1.5	1.5	1.7	1.5			

3. PRODUCTION OF SELECTED COMMODITIES *(Cont'd)*

Monthly averages or calendar months — *Thousand tons*

	1948	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
VEGETABLE OILS													
China (Taiwan): Edible oil	0.1	0.5	0.8	0.7	0.8	0.9	1.1	1.0	0.6	0.6	0.9	1.9	...
India: Edible oil (Vanaspati)	11.0	16.2	16.2	19.5	22.1	21.6	19.4	20.1	27.6	26.4	22.0	23.8	25.8
Indonesia: Palm oil	...	12.2	13.4	14.1	13.8	13.7	15.0	14.7	11.3	13.5	16.2	14.0	12.3
Japan: Coconut oil	1.1	1.3	1.2	1.6	2.3	2.0	2.1	2.0	2.7	2.1	2.7	2.2	...
Others	2.0	5.0	8.8	9.0	13.0	15.1	15.9	16.4	16.4	14.2	17.6	17.6	...
Malaya, Federation of: Coconut oil	4.3	6.9	6.7	8.2	8.0	9.2	10.3	9.5	8.4	7.4	8.9	9.3	8.5
Palm oil	3.8	3.8	4.2	4.6	4.8	4.7	5.2	5.0	4.0	4.9	5.7	6.0	5.2
Pakistan: Vegetable oil	—	0.7	0.9	0.9	1.2	1.4	1.3	1.4	1.6	1.3	...	...	...
Philippines: Coconut oil	7.7	12.1	11.8	12.2	13.3	*17.7*	...	...	...	...	...	...	...
Singapore: Coconut oil	3.8	2.2	1.4	3.2	2.8	3.4	3.6	3.6	3.4	3.7	4.6	5.7	5.0
PETROLEUM PRODUCTS[j]													
Burma	1.8	6.7	8.3	10.2	11.1	11.4	11.8	12.0	...	...	...	...	...
China (Taiwan, *thousand Kl.*)	19.5	23.6	27.0	37.0	51.0	52.8	54.8	47.2	47.2	59.9	63.7	37.4	...
Indonesia	...	760.1	808.2	825.8	863.9	859.0	842.4	872.1	901.1	897.0	923.0	...	...
Japan (*thousand Kl.*)	14.8	392.2	505.6	616.7	717.8	984.1	994.5	1,111.9	1,118.1	1,227.9	1,187.6	1,250.3	...
Pakistan	0.7	4.9	5.4	6.2	6.3	7.0	6.2	8.3	7.6	6.9	*6.4*	...	...
CEMENT													
Burma	...	3.4	3.5	4.9	5.0	3.2	3.9	1.3	4.5	3.1	2.7	1.6	2.0
Ceylon	...	5.1	5.5	7.0	7.1	7.1	8.1	6.7	4.3	3.9	...	...	...
China (Taiwan)	19.6	37.1	43.3	44.7	49.2	49.2	52.4	50.2	53.5	54.1	45.2	42.9	...
Hong Kong	4.4	5.8	5.3	8.4	9.7	10.1	10.1	8.2	9.3	9.2	7.1	7.7	6.0
India	131.0	299.5	320.0	372.0	379.9	417.2	403.9	434.2	466.8	439.6	446.1	518.8	583.3
Japan	154.9	593.1	730.7	889.6	879.7	1,085.3	1,152.8	1,167.6	1,157.3	1,373.0	1,224.9	1,349.8	1,290.0
Korea, southern	1.9	3.0	3.5	5.1	4.7	3.8	3.2	2.4	4.5	6.4	7.2	6.4	12.6
Malaya, Federation of	...	...	6.4[q]	7.2	9.1	8.7	8.8	9.0	9.3	9.2	10.0	9.3	9.7
Pakistan	27.4	44.9	50.5	57.0	57.8	65.5	59.8	79.2	95.2	89.8	85.0	89.4	96.5
Philippines	10.0	26.4	26.5	26.7	34.1	37.0	32.9	35.1	35.7	32.7	31.8	31.0	15.3
Thailand	6.9	20.6	24.0	31.9	32.2	33.1	31.4	31.8	31.3	28.8	38.2	31.0	34.3
STEEL (ingots and metal for castings)													
China (Taiwan)	0.6	1.4	2.5	4.1	4.8	6.0	5.9	6.7	7.9	5.6	5.8	7.6	...
India	106.4	133.6	127.6	143.4	144.3	147.1	145.8	149.5	148.2	139.2	140.4	152.8	...
Japan	142.8	582.4	638.5	645.0	784.0	925.5	948.0	998.9	1,122.3	1,122.3	1,084.0	875.5	...
Pakistan	0.2	0.6	0.9	0.8	0.9	0.9	1.0	1.0	1.2	1.0	0.9	1.0	1.0
TIN METAL (*tons*): Malaya, Fed. of	4,209	5,320	5,284	6,025	5,980	6,203	6,034	6,255	6,200	6,006	6,135	6,621	5,202
CONSTRUCTION—NEW BUILDING													
Ceylon: Completed[k] (Floor area—*thousand sq. metres*)													
Residential	...	3.70	6.27	7.22	6.72	6.49	8.24	5.49	4.99	5.74	...	...	...
Non-residential	...	1.65	2.29	2.70	2.02	2.20	1.81	2.95	1.53	1.28	...	...	...
Hong Kong: Completed (Cost—*thousand Hong Kong dollars*)													
Residential	...	...	4,128	4,236	8,902	8,654	7,658	9,352	7,571	10,811	8,584	17,858	11,016
Industrial	...	...	564	671	862	815	436	.944	1,467	1,265	494	111	1,404
Commercial	...	...	86	886	336	1,438	1,851	501	958	873	187	1,334	4,384
Others	...	...	1,828	1,807	1,845	2,197	1,018	2,024	1,621	1,565	1,411	2,013	1,917
Japan: Started (Floor area—*thousand sq. metres*)													
Residential	1,921	1,434	1,421	1,400	1,454	1,752	1,851	1,676	1,653	2,063	1,869	2,089	...
Non-residential	1,239	1,381	1,448	1,367	1,328	1,665	1,756	1,779	1,805	1,983	1,676	1,722	...
Korea, southern: Permits issued (Floor area—*thousand sq. metres*)													
Residential	...	...	...	...	13[s]	27	41	28	9	28	28	31	21
Non-residential	...	...	...	...	53[s]	65	77	61	38	79	74	83	50
Philippines: Permits issued (Manila) (Value—*thousand pesos*)													
Residential	3,539	1,662	1,573	850	1,295	1,596	1,091	1,695	2,182	1,783	1,522	1,492	1,744
Non-residential	2,370	1,559	2,339	1,620	1,857	2,298	2,231	2,849	4,760	2,259	2,730	2,410	2,516
Thailand: Permits issued (Bangkok) (*Number of permits*)													
Residential	126	...	251	214	244	201	171	153	223	204	191	168	183
Non-residential	41	...	57	72	72	64	65	69	62	53	31	27	25
ELECTRICITY (*million kWh*)													
Cambodia	1	2	2	2	2	3	3	3	3	3	3	3	...
Ceylon	5	11	12	14	15	*16*	*17*	*17*	*15*	*17*	*18*	*16*	*16*
China (Taiwan)	70	118	130	150	164	187	186	200	200	206	217	231	...
Hong Kong	13	33	36	41	47	54	58	54	57	60	68	64	62
India	381	516	559	625	716	803	802	839	851	911	925	918	930
Japan	2,965	4,304	4,642	4,967	5,433	6,011	6,103	6,353	5,925	6,815	6,993	6,852	5,654
Korea, southern	41	53	61	75	73	93	99	112	110	103	107	113	117
Malaya,[m] Federation of	...	61	64	73	79	84	84	87	85	88	91	92	...
Pakistan	11	25	34	41	51	...	...	...	...	...	...	...	...
Philippines (Manila)	30	46	52	58	65	77	78	83	84	91	98	101	95
Singapore	11	18	23	27	31	36	37	39	38	41	43	44	...
Thailand (Bangkok)[n]	4	7	8	13	16	18	19	20	20	21	...	...	...
Viet-Nam[p]	8	21	24	‖ 15	‖ 17	17	17	18	18	19	18	19	19

a. Including latex. b. Lignite. c. Including lignite.

d. Approximate metal content of ores as follows: Hong Kong, 45% India, 65%; Japan and the Philippines, 55%; Malaya, 60%.

e. Including iron sand.

f. Specific gravity: Brunei, Burma, Pakistan and Sarawak, 0.84; Indonesia, 0.85; Japan, 0.90.

g. Production in government licensed plants only.

h. Annual figures relate to crop year for India and the Philippines, calendar year for other countries.

j. Comprising motor spirit, kerosene and diesel oil for Burma: gasoline, diesel oil, kerosene and fuel oil for China (Taiwan); motor spirit, aviation spirit, kerosene, heavy oil, wax and paraffin, asphalt and cutback for Indonesia; gasoline, diesel oil, kerosene, fuel oil, gas oil, lubricating oil and others for Japan; motor spirit and kerosene for Pakistan.

k. Excluding particulars of buildings under building schemes.

m. Including electricity purchased from Singapore.

n. Consumption of electricity; Bangkok Electric Works and Sam Sen Power Station.

p. Beginning 1954, southern Viet-Nam only, which represented 57% of

4. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1948	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
RAILWAYS[a]													
Passenger-kilometres (*million*)													
Burma†	40	34	47	57	66	70	66	82	76	85	70	89	79
Cambodia	...	3	4	4	5	6	5	5	6	8	6	7	...
China (Taiwan)	184	161	173	186	211	237	220	253	285	281	286	311	...
India‡	4,925	4,601	4,723	4,892	5,040	5,464	5,033	5,207	5,618	5,853	*5,486*	...	...
Japan‡	6,595	6,707	6,963	7,253	7,603	8,174	8,204	7,994	8,257	8,487	8,642	8,807	...
Korea, southern‡	236	219	262	332	316	337	356	348	263	273	277	319	343
Pakistan‡	829	795	730	772	788	860	857	855	902	850	869	...	...
Philippinesø	26	35	32	35	37	43	45	55	53	*64*	49	53	...
Thailand	109	188	191	196	167	155	134	140	185	182	141	138	146
Viet-Nam[b]	...	6	8	‖ 11	‖ 31	32	33	27	36	39	35	...	...
Freight ton-kilometres (*million*)													
Burma†	52	24	35	44	53	51	46	49	50	54	45	44	50
Cambodia	...	4	4	5	2	4	2	3	6	5	5	3	...
China[c] (Taiwan)	53	104	120	122	137	142	126	155	162	159	155	162	...
India‡	3,040	3,879	4,002	4,159	4,595	5,166	5,031	5,180	5,858	5,615	5,561	...	...
Japan‡	2,109	3,227	3,368	3,277	3,500	3,861	3,768	4,134	3,799	4,023	3,961	4,324	4,256
Korea, southern‡	87	256	229	160	179	189	195	189	164	200	211	215	206
Malaya including Singapore	26	31	31	32	33	37	37	38	38	39	36	33	...
Pakistan‡	319	451	472	449	469	520	421	603	573	537	489	...	...
Philippinesø	10	11	12	12	13	12	13	12	15	15	17	19	...
Thailand	25	46	54	57	65	76	71	83	84	80	38	79	93
Viet-Nam[b]	...	13	15	‖ 12	‖ 7	5	6	6	7	7	6	...	...
INTERNATIONAL SEA-BORNE SHIPPING													
Freight loaded (L) and unloaded (U) in external trade (*thousand tons*)													
Ceylon[d] L	63	67	73	‖ 92	88	82	86	92	111	67	86	93	62
U	141	174	182	‖203	191	205	229	232	250	257	303	332	310
China (Taiwan) L	13	64	120	85	106	104	71	102	162	109	63	72	110
U	22	91	109	142	155	177	188	170	178	195	219	176	172
Hong Kong L	104	128	126	126	141	162	166	164	150	148	128	144	144
U	236	284	279	303	347	386	378	409	433	440	402	428	406
Indonesia[e] L	432	859	1,034	1,068	1,016	1,086	1,051	1,286	918	1,194	1,373	...	...
U	160	396	350	326	272	354	332	408	380	729	438	...	...
Japan[f] L	165	421	413	476	624	681	732	661	656	644	647	586	577
U	563	1,978	2,607	2,794	3,058	3,870	3,970	4,036	4,398	5,491	5,214	4,700	4,282
Korea, southern L	3	18	12	9	8	11	14	13	11	21	14	16	4
U	3	39	95	82	171	74	74	110	63	125	153	90	59
Pakistan L	...	96	109	101	124	120	89	143	119	78	84	121	115
U	...	348	293	218	236	335	355	415	396	354	422	399	344
Philippines L	...	368	375	442	483	587	558	522	526	544	408	...	...
U	...	215	283	251	280	347	312	389	275	347	...	...	...
Singapore[g] L	...	224	‖438	450	510	552	545	538	546	534	537	616	600
U	...	441	‖732	769	883	921	914	942	949	921	954	991	1,034
Thailand (Bangkok) L	...	149	143	138	161	164	156	203	217	191	178	164	139
U	...	94	107	108	116	126	123	134	134	150	137	121	128
Viet-Nam (Saigon) L	...	23	64	79	64	47	42	38	56	80	64	58	31
U	...	100	132	170	136	111	118	110	111	129	130	82	107
Entrances (E) and clearances (C) of vessels with cargo in external trade (*thousand net registered tons*)													
Burma[h] E	118	98	104	124	113	112	94	112	119	114	107	144	98
C	157	132	146	150	159	155	162	151	172	177	113	158	142
India E	646*	775	750	753	806	829	821	841	865	981	*1,007*	...	...
C	567*	743	885	800	702	737	676	695	642	675	*658*	...	...
CIVIL AVIATION[i]													
Passenger-kilometres (*million*)													
Burma	...	3.53	4.58	4.55	5.11	5.23	4.13	...	...	...	...	...	...
Ceylon	0.36	2.42	1.67	0.77	0.79	2.45	2.79	3.53	2.81	...	...	...	...
China (Taiwan)	...	1.90	3.12	3.64	3.85	3.99	4.08	4.43	3.78	4.49	4.70	5.61	...
India	23.65	32.46	32.15	36.70	42.92	56.60	54.26	66.04	64.34	65.57	51.87	...	...
Indonesia	8.49	13.28	14.03	15.01	19.95	22.40	...	...	...	...	...	...	...
Japan	...	5.75	11.20	19.47	27.43	37.96	42.25	41.41	38.71	50.92	...	...	...
Pakistan	...	5.81	3.46	4.88	9.21	12.03	12.29	15.00	16.50	16.39	*17.17*	...	...
Philippines	14.57	17.78[j]	18.97	10.84	10.08	11.74	10.60	12.67	12.77	14.52	13.26	15.42	14.17
Thailand	0.93	2.26	2.60	3.35	4.14	5.09	4.54	5.95	5.62	7.10	6.12	7.44	6.91
Freight ton-kilometres (*thousand*)													
Burma	...	106	127	181	112	101	86	...	...	...	...	...	...
Ceylon	2	147	69	12	14	118	170	130	154	...	...	...	...
China (Taiwan)	...	136	179	199	203	162	145	191	165	184	133	163	...
India	475	2,180	2,203	2,357	2,879	3,215	3,321	3,349	3,283	3,092	3,222	...	...
Indonesia	389	595	620	621	662	729	709	702	720	734	785	816	824
Japan	...	24	55	258	508	762	754	955	856	921	...	...	...
Pakistan	...	167	153	147	214	260	282	340	269	293	*382*	...	...
Philippines	540	817[j]	778	398	347	335	338	386	347	346	333	321	328
Thailand	17	85	140	151	107	112	107	127	143	163	156	168	156

a. Railway traffic coverage: *China*, Taiwan Railway Administration; *India* and *Pakistan*, class I railways; *Indonesia*, postwar data relate to Federal area only; *Japan*, State Railways only; *Philippines*, Manila Railroad Company.
b. From August 1954, southern Viet-Nam only.
d. For 1938-53 port of Colombo only.
c. Including service traffic.
e. Beginning 1952 Federal area only.
f. Cargo carried by steel vessels only; excluding military goods.
g. Prior to 1953, excluding oil handled at Pulo Bukom and Pulo Sebarok.
h. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.
i. Scheduled domestic and international routes.
j. Including non-scheduled operations.

5. VALUE OF EXPORTS AND IMPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	BRUNEI (Malayan dollar)			BURMA (kyat)			CAMBODIA[a] (riel)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1951	23.3	4.2	+19.1	83	55	+28	20	8	+12
1952	23.0	6.4	+16.6	105	76	+29	33	14	+19
1953	23.5	9.5	+14.0	94	70	+24	161	124	+37
1954	22.8	8.3	+14.5	100	81	+19	183	165	+18
1955	25.3	8.7	+16.6	90	72	+18	117	139	−22
1956	27.5	9.5	+18.0	97	78	−19	103	165	−62
1956									
III	27.2	9.6	+17.6	98	72	+26	104	182	−78
IV	28.4	10.5	+17.9	90	91	− 1	107	161	−54
1957									
I	27.3	10.6	+16.7	*99*	*99*	—	161	106	+55
II	28.0	8.8	+19.2	*99*	*122*	*−23*	170	151	+19
III	...	...	...	*89*	*127*	*−38*	138	202	−64
Oct	...	...	...	*64*	*121*	*− 57*	155	215	−60
Nov	...	...	...	...	...	...	104	289	−185

	CEYLON (rupee)			CHINA (Taiwan) (NT dollar)			HONG KONG (HK dollar)		
	Exports	Imports	Balance	Exports	Imports	ICA imports	Exports	Imports	Exports, domestic
1951	159	130	+29	90	141	42	372	408	...
1952	125	142	−17	122	211	64	243	316	...
1953	131	134	− 3	165	230	92	228	323	53
1954	151	116	+35	121	275	125	202	286	57
1955	162	122	+40	160	262	127	212	310	61
1956	144	135	+ 9	244	400	166	268	381	65
1956									
III	153	142	+11	177	370	169	261	362	62
IV	145	151	− 6	256	431	164	266	386	64
1957									
I	172	154	+18	417	370	119	279	465	68
II	124	156	−32	334	415	185	248	435	64
III	143	158	−15	235	466	193	230	401	67
Oct	160	138	+22	204	588	201	259	428	71
Nov	132	152	−20	227	437	186	254	412	63

	INDIA[b] (rupee)			INDONESIA[c] (rupiah)			JAPAN (1,000 Mn yen)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Special procurement[d]
1951	653	712	− 59	409	276	+133	40.7	61.4	10.6
1952	516	674	−158	888	900	− 12	38.2	60.9	9.2
1953	443	481	− 38	798	726	+ 72	38.2	72.3	13.3
1954	469	515	− 46	823[r]	598	+225[r]	48.9	72.0	7.2
1955	504	540	− 36	898	600[r]	+298[r]	60.3	74.1	5.2
1956	504	679	−175	838	813[r]	+ 25	75.0	96.9	5.0
1956									
III	474	700	−226	856	779	+ 77	74.3	99.0	7.1
IV	553	701	−148	942	695	+247	86.6	108.6	3.9
1957									
I	550	785	−235	743	742[r]	+ 1[r]	78.1	127.8	4.3
II	496	874	−378	802	879	− 77	80.5	153.4	8.3
III	592	818	−226	1,024	716	+308	92.5	128.6	11.2
Oct	536	731	−195	894	589	+305	81.1	110.1	7.3
Nov	...	...	...	863	721	+142	84.9	95.9	1.3

	KOREA,[e] southern (1,000 Mn hwan)			LAOS (kip)			NORTH BORNEO (Malayan dollar)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1951	0.04	0.10	−0.06	5	11	− 6	9.6	5.9	+3.7
1952	0.16	0.59	−0.43	7	28	− 21	5.4	5.9	−0.5
1953	0.33	1.86	−1.53	6	32	− 26	4.7	5.5	−0.8
1954	0.56	2.32	−1.76	3	47	− 44	6.4	6.2	+0.2
1955	0.75	4.02	−3.27	4	55	− 51	8.7	7.3	+1.4
1956	1.06	2.95	−1.90	4	103	− 99	10.1	9.8	+0.3
1956									
III	0.96	2.68	−1.72	6	94	− 88	11.2	11.1	+0.1
IV	1.04	2.74	−1.70	3	113	−110	10.7	10.7	—
1957									
I	0.94	2.17	−1.23	2	98	− 96	10.2	10.2	—
II	1.00	3.34	−2.34	4	112	−108	9.7	9.8	−0.1
III	1.03	3.22	−2.19	...	...	...	10.3	9.8	+0.5
Oct	0.89	3.52	−2.63	...	...	...	...	...	...
Nov	0.69	3.75	−3.06	...	...	...	...	...	...

	PAKISTAN (rupee)			PHILIPPINES[f] (peso)			SARAWAK (Malayan dollar)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1951	210	151	+59	72.6	81.7	− 9.1	42.4	32.0	+10.4
1952	147	174	−27	58.7	70.5	−11.8	36.5	31.9	+ 4.6
1953	121	97	+24	67.3	76.1	− 8.8	35.4	32.9	+ 2.5
1954	99	92	+ 7	67.5	80.4	−12.9	35.5	33.2	+ 2.3
1955	125	90	+35	66.8	91.3	−24.5	39.8	36.8	+ 3.0
1956	135	166[r]	−31[r]	75.2	84.4	− 9.2	40.6	38.7	+ 1.9
1956									
III	96	141	−45	72.2	87.0	−14.8	40.4	38.8	+ 1.6
IV	123	200	−77	78.4	89.0	−10.6	39.6	39.9	− 0.3
1957									
I	217	184	+33	78.0	94.1	−16.1	40.0	37.6	+ 2.4
II	98	175	−77	83.3	111.2	−27.9	41.7	37.9	+ 3.8
III	78	160	−82	66.5	105.4	−38.9	*44.3*	*41.2*	+ *3.1*
Oct	107	192	−85	45.9	104.8	−58.9	...	...	...
Nov	138	165	−27	68.4	102.7	−34.3	...	...	...

	THAILAND (baht)			VIET-NAM[g] (piastre)			MALAYA including SINGAPORE (Malayan dollar)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1951	373	270	+103	211	510	−299	506	396	+110
1952	487	427	+ 60	164	752	−588	326	323	+ 3
1953	492	514	− 22	157	883	−726	252	270	− 18
1954	515	556	− 41	164	946	−782	259	262	− 3
1955	597	600	− 3	201	768	−567	346	318	+ 28
1956	578	624	− 46	122	614	−492	347	346	+ 1
1956									
III	530	612	− 82	156	613	−457	339	342	− 3
IV	673	633	+ 40	123	627	−504	355	347	+ 8
1957									
I	697	711	− 14	186	717	−531	359	385	− 26
II	615	705	− 90	230	845	−615	334	357	− 23
III	591	689	− 98	243	935	−692	347	384	− 37
Oct	659	667	− 8	246	866	−620	376	355	+ 21
Nov	...	...	...	168	770	−602	362	334	+ 28

	MALAYA, Federation of (Malayan dollar): Including trade with Singapore			MALAYA, Federation of (Malayan dollar): Excluding trade with Singapore			SINGAPORE (Malayan dollar): Excluding trade with Malaya, Fed. of		
1951	282	156	+126	165	95	+70	341	301	+40
1952	178	138	+ 40	104	84	+20	222	239	−17
1953	133	121	+ 12	77	75	+ 2	175	195	−20
1954	135	110	+ 25	78	67	+11	181	194	−13
1955	198	129	+ 69	114	80	+34	232	239	− 7
1956	188	146	+ 42	119	88	+31	228	258	−30
1956									
III	185	149	+ 36	119	89	+30	220	253	−33
IV	195	153	+ 42	122	92	+30	233	255	−22
1957									
I	193	157	+ 36	116	99	+17	243	286	−43
II	174	144	+ 30	110	88	+22	224	269	−45
III	182	158	+ 24	121	96	+25	226	288	−62
Oct	196	146	+ 50	134	88	+46	242	267	−25
Nov	177	143	+ 34	118	84	+34	244	250	− 6

GENERAL NOTES: Special trade system for Cambodia, China: Taiwan, Indonesia, Korea (southern), Laos, North Borneo, Sarawak and Viet-Nam; general trade system for other countries. Figures on imports include aid unless otherwise specified.

a. Prior to 1953, excluding trade with Laos and Viet-Nam.

b. Up to 1951, imports exclude special imports of grain, pulse and flour.

c. From 13 Mar. 1950 to 2 Feb. 1952 inclusive, excluding value of exchange certificates. For 1 Jan-3 Feb 1952, import and export values are based on 3 times the official exchange rate and from 4 Feb. 1952 onwards they are based on official exchange rate of the Bank Indonesia.

d. Not included in trade statistics.

e. For exports: Up to Mar. 1951, valued f.o.b., from Apr. 1951 valuation based on domestic market prices. For imports: excluding Government imports, military supplies and goods imported by various aid agencies; up to Mar. 1951, valued c.i.f.; from Apr. 1951 valuation based on local market prices excluding distributive margins and net of import duties and excise.

f. Imports valued f.o.b.

g. Prior to January 1955, excluding trade with Cambodia and Laos but including transit trade of these countries with other countries through Viet-Nam. Beginning June 1955, trade of the Republic of Viet-Nam only.

6. DIRECTION OF INTERNATIONAL TRADE

Quarterly averages or quarters

Million dollars

TRADE WITH	Year and Quarter	BURMA[b]		CAMBODIA		CEYLON		CHINA (Taiwan)		HONG KONG	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1. All countries	1948	57.2	45.0	...	...	76.4	75.1	...	...	101.1	130.8
	1951	51.6	34.4	...	...	100.0	82.0	24.6	36.3	195.2	214.0
	1952	66.0	48.0	...	...	78.8	89.6	32.4	46.8	127.4	165.7
	1953	59.4	44.2	...	...	82.3	84.5	31.9	45.5	120.8	170.6
	1954	62.1	51.1	...	...	95.0	73.4	23.3	52.8	105.9	150.3
	1955	56.7	45.0	10.0	11.9	101.8	76.7	30.8	50.2	111.1	162.8
	1956	60.7	49.4	9.2	14.2	86.8	85.6	29.6	48.4	140.8	199.8
	1956 III	62.0	45.3	8.9	15.6	92.5	88.9	21.4	44.7	155.5	209.0
	IV	57.0	57.5	10.3	13.8	85.6	94.3	31.0	52.2	159.6	221.6
	1957 I	59.6	62.2	13.8	9.1	102.3	97.1	50.5	44.8	164.0	261.3
	II	62.2	77.2	14.7	12.9	73.3	98.3	40.4	50.2	144.0	243.2
	III	...	*80.3*	*11.9*	*17.3*	85.8	99.4	*28.5*	*56.4*	141.8	231.6
2. ECAFE Countries[a] (including Japan)	1948	50.0	14.4	...	...	4.6	26.3	...	...	60.9	53.8
	1951	42.4	20.0	...	...	7.6	31.2	19.3	16.1	149.4	103.6
	1952	51.6	28.7	...	...	12.0	32.6	26.8	17.4	100.2	90.2
	1953	45.0	22.9	...	...	16.3	34.8	20.7	17.5	90.0	93.4
	1954	52.1	26.3	...	...	18.6	32.0	18.2	20.7	72.5	76.1
	1955	40.4	21.5	4.3	7.5	13.7	32.7	24.4	18.0	69.0	91.7
	1956	42.8	22.6	3.2	9.1	14.4	35.2	20.4	19.7	93.1	115.6
	1956 III	44.6	19.4	3.4	9.9	20.6	36.8	12.4	16.7	85.0	97.0
	IV	44.2	28.8	4.3	8.6	12.3	44.3	23.6	23.2	89.2	112.5
	1957 I	46.2	30.2	5.0	4.8	18.9	36.0	33.4	20.2	94.0	136.4
	II	46.0	38.6	6.1	8.3	11.8	38.1	25.4	19.5	77.0	112.0
	III	...	*36.5*	*5.5*	*11.0*	11.5	37.3	*20.4*	*20.7*	61.4	113.3
3. Japan	1948	0.1	0.3	...	...	0.1	1.0	...	...	3.1	5.0
	1951	7.2	5.9	...	...	0.4	4.2	11.9	12.5	8.4	17.2
	1952	8,2	7.2	...	...	0.5	5.4	17.0	12.8	5.4	21.1
	1953	11.2	7.3	...	...	0.5	3.6	14.5	13.5	9.7	16.8
	1954	14.6	11.2	...	...	0.8	4.0	11.9	17.6	5.0	20.3
	1955	11.4	9.6	0.1	1.2	0.6	5.2	18.3	15.3	6.4	23.0
	1956	9.3	8.2	0.4	2.7	0.7	6.0	11.0	17.6	13.9	35.5
	1956 III	2.2	5.5	0.4	2.6	0.6	6.0	2.7	14.5	17.2	23.4
	IV	2.7	12.4	0.8	3.6	0.7	7.4	13.0	21.2	19.4	29.7
	1957 I	13.8	15.4	0.2	0.9	1.2	8.3	17.6	17.6	16.9	35.7
	II	5.4	19.0	0.8	1.2	1.0	6.4	12.9	16.5	12.9	30.9
	III	...	*15.4*	*0.1*	*1.8*	1.2	6.0	*4.0*	*18.5*	6.3	28.5
4. Western Europe (including UK)	1948	5.8	23.9	...	...	30.7	16.4	...	...	8.9	32.6
	1951	5.4	11.6	...	...	50.4	25.5	0.8	1.6	17.6	70.0
	1952	8.4	14.6	...	...	32.4	27.2	1.7	2.6	9.8	50.6
	1953	6.4	16.9	...	...	30.4	27.3	3.9	6.3	10.5	50.9
	1954	5.4	20.2	...	...	34.8	24.2	1.4	4.5	10.6	42.4
	1955	8.7	18.7	2.9	3.7	38.8	26.2	1.7	3.5	15.9	41.6
	1956	7.4	18.8	3.1	3.0	34.4	28.0	1.8	4.5	18.6	46.9
	1956 III	6.3	17.3	2.9	3.7	31.6	27.3	3.4	3.7	20.1	50.1
	IV	7.0	19.9	2.9	3.1	35.9	25.8	1.6	3.9	18.0	48.7
	1957 I	5.5	22.8	3.6	3.6	39.1	31.7	0.5	3.4	20.7	64.1
	II	4.3	24.8	3.3	2.9	25.9	32.1	1.1	4.0	20.0	66.3
	III	...	*30.5*	*4.1*	*5.7*	29.7	28.6	*2.1*	*4.7*	20.4	57.9
5. United Kingdom	1948	5.1	21.1	...	...	22.9	13.2	...	...	4.9	19.0
	1951	3.3	8.4	...	...	30.8	18.1	0.6	0.8	10.4	27.1
	1952	6.2	10.8	...	...	21.9	20.2	1.4	0.9	3.6	20.6
	1953	4.4	11.8	...	...	20.4	19.0	2.1	2.0	5.2	20.8
	1954	3.9	12.5	...	...	26.4	15.4	0.7	1.3	7.1	16.2
	1955	4.8	11.5	0.2	0.1	26.5	16.2	0.9	0.6	11.0	19.3
	1956	4.4	10.4	0.1	0.2	26.2	18.1	0.7	0.8	13.0	22.4
	1956 III	4.8	10.6	0.2	0.2	24.0	17.6	1.0	0.8	14.3	24.3
	IV	4.0	10.3	—	0.2	26.7	17.4	0.5	0.6	12.8	23.8
	1957 I	3.6	14.8	—	0.2	31.3	21.4	0.2	0.6	14.6	29.4
	II	2.2	13.7	—	0.1	21.6	19.6	0.4	1.0	13.5	29.5
	III	...	*18.1*	—	*0.2*	22.9	19.0	*0.5*	*1.0*	14.8	30.2
6. Eastern Europe	1948	—	0.1	...	...	0.5	0.2	...	...	1.0	0.8
	1951	—	0.1	...	...	0.4	0.9	—	—	—	1.5
	1952	0.1	0.1	...	...	0.8	0.6	—	—	—	0.1
	1953	—	0.2	...	...	0.2	0.6	—	—	—	1.0
	1954	0.2	0.6	...	...	0.1	0.6	—	—	—	1.0
	1955	5.6	0.5	—	—	0.1	0.8	—	—	—	0.8
	1956	5.7	4.0	—	—	—	—	—	—	—	0.8
	1956 III	6.0	4.7	—	—	—	—	—	—	—	0.7
	IV	0.9	3.5	—	—	—	—	—	—	—	0.8
	1957 I	2.7	3.8	—	—	—	0.3	—	—	—	0.9
	II	7.3	6.8	—	—	0.8	0.7	—	—	—	0.6
	III	...	*6.0*	—	—	0.1	0.5	—	—		

6. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters — *Million dollars*

TRADE WITH	Year and Quarter		BURMA[b]		CAMBODIA		CEYLON		CHINA (Taiwan)		HONG KONG	
			Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
7. North America	1948		0.6	1.7	...	...	16.0	6.4	...	...	11.1	26.7
	1951		0.2	0.9	...	...	14.8	5.3	1.5	12.4	7.8	20.2
	1952		0.6	2.6	...	...	12.2	9.9	1.1	6.8	5.8	13.1
	1953		1.1	1.8	...	...	10.8	3.6	1.4	19.4	4.3	12.5
	1954		0.3	2.1	...	...	10.2	2.6	1.3	25.3	5.0	14.8
	1955		0.3	1.4	2.6	0.6	14.4	3.2	1.4	24.6	6.4	16.3
	1956		0.4	1.4	2.4	1.5	12.6	3.0	1.7	20.6	7.8	20.6
	1956	III	0.2	1.2	2.4	1.5	14.3	2.9	1.8	23.1	7.3	20.8
		IV	0.3	1.8	2.9	1.4	11.7	2.5	1.7	20.1	9.2	23.4
	1957	I	0.6	3.5	1.8	0.8	14.9	3.3	1.1	15.3	9.7	24.1
		II	0.9	3.1	2.6	0.6	10.6	4.6	1.0	24.1	11.6	33.8
		III	...	*2.5*	*2.1*	*0.5*	12.5	7.4	*1.5*	*24.3*	12.7	23.5
8. United States of America	1948		0.6	1.6	...	...	12.6	5.7	...	...	10.6	24.4
	1951		0.2	0.8	...	...	10.5	4.3	1.5	12.4	7.1	16.3
	1952		0.6	2.5	...	...	8.3	7.8	1.1	6.8	5.0	9.6
	1953		1.1	1.8	...	...	6.4	2.7	1.4	19.4	3.3	9.9
	1954		0.3	2.1	...	...	6.2	1.9	1.3	25.3	4.1	12.4
	1955		0.3	1.3	2.6	0.6	9.3	2.4	1.4	24.6	5.2	14.3
	1956		0.4	1.4	2.4	1.5	7.4	2.1	1.7	20.4	6.5	18.6
	1956	III	0.2	1.2	2.4	1.5	7.7	2.3	1.7	22.9	6.1	18.6
		IV	0.3	1.7	2.9	1.4	6.6	2.0	1.7	19.8	8.0	21.4
	1957	I	0.6	3.5	1.7	0.8	9.8	2.8	1.1	15.1	7.9	21.4
		II	0.9	3.1	2.6	0.6	7.2	3.0	1.0	23.7	9.6	31.2
		III	...	*2.4*	*2.1*	*0.5*	7.4	6.5	*1.5*	*23.7*	10.5	21.5
9. Latin American Republics	1948		0.2	—	...	...	1.2	1.2	...	...	0.1	—
	1951		—	—	...	...	1.1	—	0.5	—	—	—
	1952		—	—	...	...	0.7	0.1	—	—	—	—
	1953		—	—	...	...	0.4	—	0.4	0.1	—	0.4
	1954		—	—	...	...	0.2	—	0.3	0.2	—	5.0
	1955		—	0.2	—	0.1	0.5	2.4	0.1	0.1	—	1.0
	1956		—	—	—	0.1	0.4	—	0.1	—	0.1	2.5
	1956	III	—	—	—	—	0.7	—	—	—	0.2	6.3
		IV	—	—	—	—	0.3	—	0.1	—	—	1.1
	1957	I	—	—	0.1	—	0.2	—	—	—	—	1.3
		II	—	—	—	—	0.3	—	0.1	—	1.6	0.9
		III	...	—	—	—	0.6	—	*0.2*	—	1.4	1.6
10. Oceania	1948		—	1.4	...	...	8.3	10.8	...	...	1.7	4.2
	1951		—	0.8	...	...	9.0	6.5	1.1	0.5	3.5	4.0
	1952		—	0.9	...	...	5.8	6.5	0.8	0.3	0.9	2.4
	1953		—	1.1	...	...	8.7	9.2	0.2	0.6	2.1	2.5
	1954		—	1.0	...	...	11.2	5.6	0.1	0.6	3.0	2.8
	1955		—	1.3	—	—	10.2	4.6	—	0.2	3.6	3.7
	1956		—	1.6	—	—	7.2	5.0	—	0.5	3.8	4.8
	1956	III	—	1.2	—	—	8.2	4.0	0.1	0.1	4.5	4.3
		IV	—	2.5	—	—	6.6	8.2	—	1.2	3.4	6.0
	1957	I	—	0.9	—	—	8.9	7.7	—	0.2	3.2	6.5
		II	—	*3.2*	—	—	6.3	5.3	—	0.1	4.0	5.2
		III	...	*1.4*	—	—	7.0	6.0	—	*0.4*	5.4	5.3
11. Sterling Area	1948		49.5	36.5	...	...	41.1	53.8	...	...	27.0	36.3
	1951		32.9	22.4	...	...	51.2	57.3	7.9	4.8	62.1	68.0
	1952		43.0	32.2	...	...	38.1	57.0	8.7	5.9	32.0	44.8
	1953		34.0	28.2	...	...	39.1	53.5	8.3	6.4	32.2	45.4
	1954		38.8	28.1	...	...	52.6	42.6	5.7	4.3	36.2	36.6
	1955		27.4	23.4	1.6	2.8	54.5	45.3	5.0	2.5	42.5	42.4
	1956		28.9	19.6	2.2	4.4	43.9	46.5	8.3	3.1	46.1	48.0
	1956	III	37.0	19.5	2.8	5.5	44.9	43.5	8.6	3.1	47.6	46.0
		IV	43.4	21.8	2.6	3.3	45.0	50.2	7.5	3.3	47.5	47.8
	1957	I	31.0	28.9	3.6	2.6	50.4	55.5	18.1	8.1	48.9	58.8
		II	30.3	31.9	4.9	6.2	37.0	50.2	13.5	5.7	45.3	54.6
		III	...	*35.5*	*4.5*	*6.0*	42.1	53.7	*9.3*	*2.5*	47.8	54.8
12. ECAFE Sterling Countries[a]	1948		43.9	13.8	...	...	4.4	24.2	...	...	17.2	10.5
	1951		28.5	13.0	...	...	5.0	25.2	7.0	3.5	44.6	32.3
	1952		33.8	20.2	...	...	4.8	23.2	7.1	4.5	24.8	18.0
	1953		26.1	14.9	...	...	3.1	19.6	5.5	3.7	20.1	18.5
	1954		31.9	14.4	...	...	6.0	18.5	4.8	2.4	19.4	14.3
	1955		21.4	10.6	1.4	2.7	6.4	22.1	3.7	1.6	20.6	16.2
	1956		22.7	7.6	2.1	4.2	4.1	20.8	6.7	1.8	21.6	16.7
	1956	III	30.0	7.6	2.6	5.3	5.2	19.9	6.7	1.8	21.2	13.8
		IV	36.9	8.9	2.6	3.1	4.4	22.5	6.7	1.4	23.1	12.1
	1957	I	25.1	13.1	3.6	2.4	3.0	22.9	10.3	1.9	23.8	18.1
		II	26.9	15.0	4.8	6.1	2.8	22.9	10.0	2.1	20.2	15.8
		III	...	*15.7*	*4.4*	*5.8*	3.8	23.9	*8.7*	*1.6*	19.5	14.5

GENERAL NOTES: (1) As complete breakdowns are not given, the sum of total trade of any individual country with different regions does not add up to the total given under trade with "all countries".

(2) See general note to table 5.

(3) Trade between Federation of Malaya and Singapore is excluded.

a. ECAFE countries comprise:
  i) Sterling countries—Burma, Ceylon, Hong Kong, India, Federation of Malaya, Singapore, British Borneo and Pakistan.
  ii) Non-sterling countries—Afghanistan, Cambodia, China. Indonesia, Japan, Korea, Laos, Philippines, Thailand and Viet-Nam.

b. For 1948, year ending 30 September.

6. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)* EXTERNAL TRADE

Quarterly averages or quarters

Million dollars

TRADE WITH	Year and Quarter		INDIA[c,d]		INDONESIA[e]		JAPAN		KOREA, southern		LAOS	
			Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[f]	Exports	Imports
1. All countries	1948		342.8	507.4	98.7	116.2	64.6	170.6	...	...	...	...
	1951		411.4	448.2	322.9	218.3	338.6	498.8	2.8	17.4	...	...
	1952		324.9	423.8	233.6	237.0	318.2	507.0	6.9	41.4	...	...
	1953		279.0	300.2	210.0	191.2	318.7	602.4	9.9	66.9	...	...
	1954		295.6	323.8	214.0	157.3	407.3	599.8	6.1	55.1	...	...
	1955		319.1	353.4	232.8	151.0	502.7	617.9	4.5	63.6	0.5	4.7
	1956		312.8	427.2	220.5	213.3	623.8	807.4	6.2	88.1	0.6	8.8
	1956	III	299.1	423.8	224.1	204.0	618.8	824.8	5.4	97.3	0.5	8.1
		IV	348.1	457.6	249.7	209.8	722.8	905.1	5.9	77.8	0.6	9.7
	1957	I	*346.1*	*494.8*	193.1	195.3	651.5	1,065.1	6.3	68.4	*0.5*	8.4
		II	*312.8*	*550.4*	211.9	230.8	670.8	1,278.6	6.0	158.3	*0.5*	*9.6*
		III			*268.7*	*188.3*	773.0	1,071.2				
2. ECAFE Countries[a] (including Japan)	1948		95.2	121.5	25.0	33.7	26.4	23.0	...	...	...	...
	1951		78.7	110.8	131.3	91.4	156.2	122.2	1.9	5.3	...	...
	1952		82.6	67.9	77.6	93.6	143.1	129.2	1.9	14.8	...	...
	1953		53.3	40.4	71.8	78.2	139.1	160.3	2.2	30.8	...	...
	1954		46.6	60.7	85.2	64.6	167.7	139.5	2.5	27.2	...	...
	1955		58.7	59.6	79.7	47.9	174.3	177.2	2.3	20.8	0.5	2.9
	1956		53.2	62.1	86.0	77.0	217.9	191.0	2.6	4.9	0.6	5.5
	1956	III	47.8	63.6	87.4	74.2	212.5	184.3	2.7	3.2	0.6	4.8
		IV	53.2	68.4	104.3	50.8	253.8	189.0	2.5	5.1	0.4	6.2
	1957	I	...	...	76.3	84.1	242.0	221.6	4.2	3.5	*0.5*	5.4
		II	...	...	92.8	70.8	230.7	245.9	3.9	6.9	*0.1*	*4.8*
		III			*98.4*	*65.6*	238.4	187.1				
3. Japan	1948		3.4	4.8	2.4	18.0	—	—	...	...	...	...
	1951		9.6	11.8	10.2	38.2	—	—	1.7	3.7	...	...
	1952		13.4	10.2	6.2	31.9	—	—	1.4	12.4	...	...
	1953		14.2	6.5	9.4	31.8	—	—	1.5	26.7	...	...
	1954		8.6	8.8	12.5	34.2	—	—	1.8	17.2	...	...
	1955		13.8	16.9	17.3	21.6	—	—	1.8	9.9	—	0.4
	1956		15.7	22.9	19.2	33.4	—	—	2.0	2.3	—	1.4
	1956	III	13.5	21.8	14.5	32.9	—	—	2.6	2.0	—	1.2
		IV	14.7	27.5	25.5	23.5	—	—	2.3	2.6	—	1.5
	1957	I	...	...	14.0	37.2	—	—	2.6	2.4	—	2.2
		II	...	...	13.0	27.8	—	—	3.4	3.1	—	*2.0*
		III			*6.5*	*28.1*	—	—				
4. Western Europe (including UK)	1948		106.8	159.5	43.6	41.7	6.8	4.9	...	...	...	...
	1951		147.8	133.8	112.2	70.6	35.4	40.1	—	0.4	...	...
	1952		98.9	128.7	74.2	83.5	44.1	34.4	—	2.9	...	...
	1953		102.7	127.8	74.2	65.2	28.9	50.8	0.1	4.2	...	...
	1954		122.2	144.2	71.6	52.0	36.9	49.2	0.1	4.4	...	...
	1955		126.4	158.0	77.7	58.8	48.0	49.6	0.3	7.9	—	1.5
	1956		130.4	218.1	80.8	75.3	62.0	57.6	0.9	3.7	—	2.4
	1956	III	123.6	229.3	85.8	79.9	60.5	61.1	1.0	2.8	—	2.6
		IV	150.7	220.4	90.4	63.7	68.8	57.5	0.9	2.6	—	2.6
	1957	I	...	...	74.9	67.0	68.2	98.5	1.0	1.3	—	1.7
		II	...	...	69.7	83.5	72.1	121.5	0.7	2.3	—	*3.4*
		III			*92.8*	*71.3*	96.7	99.5				
5. United Kingdom	1948		74.2	115.6	2.0	10.8	4.2	1.3	...	...	...	...
	1951		103.9	78.6	20.1	14.0	13.5	8.0	—	0.1	...	...
	1952		66.4	79.8	6.4	17.0	18.3	9.2	—	—	...	...
	1953		78.5	74.2	4.4	13.5	8.3	12.2	0.1	0.6	...	...
	1954		93.1	79.2	9.8	8.5	12.8	9.3	0.1	1.5	...	...
	1955		88.3	84.8	23.1	8.7	15.2	9.5	—	1.2	—	0.1
	1956		96.7	109.1	19.6	12.9	15.8	16.6	0.2	0.6	—	0.3
	1956	III	97.6	115.0	29.5	14.6	9.6	20.6	0.3	0.3	—	0.3
		IV	111.3	100.9	12.4	9.1	12.7	17.4	0.2	0.6	—	0.4
	1957	I	...	...	10.2	11.2	12.3	27.4	0.3	0.2	—	0.3
		II	...	...	13.5	11.9	17.4	32.4	0.1	0.3	—	*0.9*
		III			*25.9*	*12.7*	24.0	25.8				
6. Eastern Europe	1948		6.4	5.3	0.4	1.1	1.1	0.6	...	...	...	...
	1951		5.0	3.9	0.6	1.6	0.5	0.5	—	—	...	...
	1952		1.9	2.7	2.4	1.6	0.6	0.7	—	—	...	...
	1953		1.8	2.0	1.1	1.4	1.0	1.4	—	—	...	...
	1954		2.8	4.0	1.8	3.3	1.3	1.1	—	—	...	...
	1955		2.4	5.5	7.0	8.3	4.8	1.1	—	—	...	...
	1956		9.3	15.4	3.1	3.3	1.0	1.2	—	—	—	—
	1956	III	8.1	14.3	1.3	3.8	0.8	1.1	—	—	—	—
		IV	16.7	19.5	1.3	2.5	1.1	2.0	—	—	—	—
	1957	I	...	...	1.1	1.7	1.1	1.3	—	—	—	—
		II	...	...	1.6	3.7	1.5	4.5	—	—	—	—
		III			*2.0*	*1.7*	3.2	8.7				

6. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Million dollars

TRADE WITH	Year and Quarter	INDIA[c,d] Exports	INDIA[c,d] Imports	INDONESIA[e] Exports	INDONESIA[e] Imports	JAPAN Exports	JAPAN Imports	KOREA, southern Exports	KOREA, southern Imports[f]	LAOS Exports	LAOS Imports
7. North America	1948	60.9	89.4	17.8	28.4	16.9	112.4	...	...	—	...
	1951	85.9	120.0	53.6	45.3	52.0	217.7	0.9	11.4	...	...
	1952	70.8	161.2	59.6	42.2	63.8	237.4	5.0	23.5	...	...
	1953	58.6	57.0	48.4	35.1	65.2	242.4	7.6	27.8	...	...
	1954	54.2	44.2	36.6	23.0	83.2	266.0	3.5	22.6	...	...
	1955	57.0	50.7	42.2	24.2	127.4	241.7	1.8	33.6	—	0.3
	1956	54.3	53.3	35.9	35.6	157.0	334.9	2.7	73.4	—	0.8
	1956 III	53.9	52.4	35.8	33.8	166.9	330.0	1.7	84.2	—	0.8
	IV	53.8	58.2	38.6	51.5	175.3	421.8	2.6	65.5	—	0.8
	1957 I	...	...	24.8	30.0	138.6	480.1	1.2	59.4	—	1.2
	II	...	...	28.0	43.3	158.2	548.1	1.2	145.0	—	*1.8*
	III			*55.6*	*34.5*	193.4	468.7				
8. United States of America	1948	54.3	82.2	17.2	26.9	16.4	110.4	...	...	...	...
	1951	75.1	107.7	53.3	44.0	47.4	171.8	0.9	11.4	...	...
	1952	63.2	145.2	59.2	40.6	58.6	192.1	5.0	23.4	...	...
	1953	51.2	47.2	43.0	34.8	58.5	189.4	7.6	24.0	...	...
	1954	46.2	38.8	35.9	22.7	70.7	212.3	3.5	21.8	...	...
	1955	48.7	46.6	40.9	23.9	114.3	193.5	1.8	31.7	—	0.3
	1956	46.0	49.5	35.3	35.3	137.9	266.8	2.7	73.0	—	0.8
	1956 III	43.9	48.8	35.2	33.7	149.2	264.1	1.7	84.0	—	0.8
	IV	46.2	53.6	38.3	51.3	151.9	329.4	2.6	65.5	—	0.8
	1957 I	...	...	24.5	29.6	122.5	419.8	1.2	59.4	—	1.1
	II	...	...	27.7	43.1	140.9	496.0	1.2	144.9	—	*1.7*
	III			*54.7*	*34.1*	175.0	399.4				
9. Latin American Republics	1948	24.0	12.6	0.1	0.7	0.4	20.9	...	...	...	...
	1951	24.5	2.8	1.3	1.3	22.3	64.8	—	0.1	...	...
	1952	14.2	0.7	1.1	7.1	12.5	42.0	—	—	...	...
	1953	16.1	1.5	0.4	0.2	26.1	66.2	—	0.5	...	...
	1954	12.2	4.8	1.4	—	50.3	77.2	—	0.3	...	...
	1955	11.8	3.6	6.6	0.1	44.8	60.7	—	0.8	—	—
	1956	8.6	1.3	0.6	2.1	41.0	87.3	—	0.2	—	—
	1956 III	12.4	1.4	0.6	—	39.0	93.6	—	0.1	—	—
	IV	14.5	1.1	0.5	0.1	37.9	109.6	—	0.4	—	—
	1957 I	...	...	0.8	—	36.5	64.0	—	—	—	—
	II	...	...	0.8	—	30.3	70.8	—	—	—	—
	III			*1.1*	—	40.5	98.2				
10. Oceania	1948	18.0	20.9	1.2	8.5	1.1	2.1	...	...	...	...
	1951	28.8	10.6	9.8	2.7	25.4	36.7	—	0.1	...	...
	1952	14.4	8.7	7.3	3.3	9.7	37.9	—	0.1	...	...
	1953	10.2	14.5	6.0	4.4	3.6	50.2	—	3.4	...	...
	1954	14.6	8.7	8.6	3.2	8.8	34.0	—	0.6	...	...
	1955	16.7	11.2	6.2	3.1	17.2	50.8	—	0.5	—	—
	1956	14.8	7.3	9.4	4.6	10.9	71.6	—	0.1	—	—
	1956 III	14.5	6.5	8.3	3.2	11.8	78.4	—	0.1	—	—
	IV	16.1	8.0	10.6	4.4	9.7	81.6	—	0.1	—	—
	1957 I	...	...	11.6	5.3	8.7	106.0	—	—	—	—
	II	...	...	12.6	5.3	11.4	140.2	—	—	—	—
	III			*12.5*	*4.4*	16.4	100.6				
11. Sterling Area	1948	191.6	264.4	24.4	29.7	17.4	15.3	...	...	...	...
	1951	218.0	182.2	147.6	61.9	153.1	111.6	0.2	1.7	...	...
	1952	168.2	155.6	79.9	69.2	134.8	125.1	0.4	1.4	...	...
	1953	146.9	145.1	67.8	63.0	79.0	150.6	0.8	7.4	...	...
	1954	167.7	162.5	84.3	45.2	122.8	108.4	0.7	10.6	...	...
	1955	164.9	162.3	84.4	41.1	160.2	147.2	0.5	11.3	—	0.4
	1956	164.1	172.4	84.1	61.0	171.2	204.4	0.7	2.2	0.1	1.8
	1956 III	159.4	178.9	98.0	52.8	151.9	214.4	0.4	1.0	—	1.2
	IV	185.1	169.6	86.9	68.4	187.1	209.7	0.3	2.4	—	1.9
	1957 I	...	...	70.0	51.0	187.9	281.9	1.8	0.9	*0.2*	1.7
	II	...	...	85.2	69.3	183.8	342.4	0.6	1.1	—	*1.9*
	III			*115.4*	*54.2*	208.1	274.1				
12. ECAFE Sterling Countries[a]	1948	81.6	110.2	20.9	9.5	8.8	10.9	...	...	...	...
	1951	57.4	83.0	116.1	41.8	83.6	63.4	0.2	1.5	...	...
	1952	61.0	43.4	65.2	44.8	84.3	68.1	0.4	1.3	...	...
	1953	32.4	32.5	56.0	39.6	47.8	82.1	0.7	3.3	...	...
	1954	31.2	49.1	65.3	23.6	72.0	60.2	0.6	8.5	...	...
	1955	31.8	40.0	54.5	21.4	87.3	74.6	0.5	9.6	—	0.2
	1956	28.1	31.2	55.6	29.2	99.2	92.2	0.5	1.6	*0.1*	1.3
	1956 III	26.2	31.9	60.0	27.3	84.3	90.9	0.1	0.6	—	0.9
	IV	29.8	32.2	66.9	18.7	109.4	85.3	0.1	1.8	—	1.2
	1957 I	...	...	48.4	27.9	120.0	113.5	1.5	0.7	*0.2*	1.4
	II	...	...	58.6	30.4	102.2	118.6	0.5	0.8	—	*1.0*
	III			*78.0*	*26.7*	103.5	110.8				

c. For 1948, year beginning 1 April.

d. For 1948, including transit trade but excluding overland trade with Burma, Iran and Afghanistan.

e. Figures for trade with the Netherlands are as follows:—

	Exp.	*Imp.*
1951	66.6	26.0
1952	50.0	31.1
1953	48.4	22.4
1954	41.3	16.4
1955	36.7	17.7
1956	42.9	22.8
1956 I	41.5	22.0
II	41.2	24.2
III	36.7	25.3
IV	52.1	19.6
1957 I	50.1	19.4
II	40.1	21.8
III	*39.5*	*17.8*

6. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Million dollars

TRADE WITH	Year and Quarter		MALAYA, Federation of		PAKISTAN[c,g]		PHILIPPINES		SINGAPORE		THAILAND[f]		VIET-NAM[i]	
			Exports	Imports	Exports	Imports	Exports	Imports[h]	Exports	Imports	Exports	Imports	Exports	Imports
1. All countries	1948		72.5	57.7	154.6	101.4	79.4	146.5	130.8	152.9	51.4	30.0	...	...
	1951		161.6	92.4	190.9	133.7	102.4	122.5	334.7	296.1	117.2	62.5	...	...
	1952		102.6	82.0	133.1	152.4	88.0	105.8	217.5	234.4	101.2	77.3	...	...
	1953		75.2	73.1	109.7	87.5	101.0	114.2	171.3	191.4	87.1	75.8	...	...
	1954		76.2	66.1	89.7	81.2	101.3	120.7	177.8	190.3	72.6	67.2	...	...
	1955		112.3	78.1	100.2	72.3	100.2	136.9	227.2	234.0	90.7	74.7	17.2	65.8
	1956		117.0	186.2	85.0	88.6	109.2	126.6	223.2	253.1	83.8	91.4	10.5	52.7
	1956	III	116.5	87.2	60.9	90.9	108.3	130.5	215.7	248.4	76.6	88.5	13.4	52.6
		IV	120.1	91.7	78.1	130.1	117.5	133.4	228.0	249.5	97.7	92.0	10.5	53.7
	1957	I	113.8	96.7	136.8	101.0	117.0	141.2	237.8	280.4	102.4	106.0	16.0	61.5
		II	107.7	85.9	61.8	93.9	124.9	166.9	219.4	263.8	88.3	103.4	19.7	72.4
		III	119.2	93.8	48.8	132.7	99.8	158.2	221.9	282.5	86.3	101.6	20.8	80.1
2. ECAFE Countries[a] (including Japan)	1948		9.4	26.2	99.6	56.7	7.2	14.9	47.3	74.0	33.4	19.1	...	...
	1951		22.1	47.2	85.0	49.5	9.0	19.3	96.1	195.0	71.7	22.6	...	...
	1952		13.7	34.6	61.0	57.7	10.8	14.7	77.7	147.1	70.9	37.5	...	...
	1953		13.5	35.2	36.9	11.9	13.4	11.7	63.9	118.1	63.5	35.0	...	...
	1954		13.9	31.9	26.4	15.4	14.4	17.6	59.5	115.6	50.2	32.3	...	...
	1955		16.0	38.6	36.7	15.7	16.8	25.5	70.6	151.5	53.8	36.2	5.6	17.4
	1956		20.6	40.5	29.7	11.1	21.8	26.2	82.0	159.1	51.4	45.8	1.2	18.7
	1956	III	22.5	41.1	25.8	8.9	24.5	25.5	77.4	150.8	47.9	41.3	1.3	15.6
		IV	23.1	45.5	22.5	11.0	26.6	29.8	84.8	160.7	59.7	51.5	1.7	22.9
	1957	I	25.9	44.8	40.7	15.1	22.3	29.4	97.4	175.0	60.2	50.7	1.1	20.4
		II	29.3	39.1	24.4	16.4	29.9	38.6	89.5	159.8	59.4	45.8	4.8	26.2
		III	29.8	48.8	17.4	33.7	21.8	37.1	89.5	178.3	57.0	44.0	5.0	25.7
3. Japan	1948		1.1	—	0.9	0.7	3.9	0.5	1.2	1.5	—	1.3	...	...
	1951		4.0	2.9	19.2	19.5	7.5	8.2	8.9	17.0	13.2	11.3	...	...
	1952		4.3	3.4	22.0	27.9	9.6	4.6	8.4	16.9	15.6	9.1	...	...
	1953		5.0	1.9	21.4	4.5	12.0	5.1	7.9	8.6	21.2	13.1	...	...
	1954		5.3	2.2	7.8	8.7	12.6	7.3	8.2	9.8	17.3	16.3	...	...
	1955		7.3	3.6	11.6	10.2	15.2	10.8	16.2	15.9	15.8	15.8	0.4	8.8
	1956		9.8	3.8	10.6	5.2	19.2	12.8	17.6	17.2	7.8	15.2	0.1	13.3
	1956	III	11.6	3.6	9.7	2.7	22.0	13.2	17.0	14.3	10.9	17.5	—	11.1
		IV	10.3	3.8	8.2	3.0	23.3	13.5	18.7	16.4	5.2	21.9	0.3	16.0
	1957	I	10.8	3.8	22.4	4.4	18.5	13.9	22.8	19.9	6.9	24.4	—	14.4
		II	18.5	3.2	6.7	3.0	24.4	21.2	20.6	18.7	13.8	21.8	2.3	16.7
		III	16.9	3.6	4.8	5.2	19.6	21.7	20.9	16.9	3.3	18.1	2.4	17.8
4. Western Europe (including UK)	1948		24.2	18.2	33.4	26.6	13.2	4.8	34.3	38.5	3.6	5.5	...	...
	1951		86.4	36.2	77.3	47.4	22.1	7.0	99.2	63.9	8.3	18.2	...	...
	1952		56.8	37.5	49.2	52.5	13.1	5.9	63.9	53.2	3.7	23.2	...	...
	1953		36.8	28.3	53.6	25.4	13.8	5.8	44.4	44.3	3.3	24.7	...	...
	1954		37.2	27.2	43.4	39.2	20.2	10.7	52.2	45.1	6.4	22.6	...	...
	1955		58.3	31.4	42.1	31.2	18.1	12.4	78.3	50.8	7.5	24.4	5.9	35.2
	1956		54.8	36.4	38.9	29.5	22.6	16.1	73.5	55.9	8.1	28.4	7.2	17.5
	1956	III	52.6	38.4	22.1	30.3	23.6	17.3	69.8	59.5	8.4	29.0	9.6	20.9
		IV	56.6	35.9	41.7	30.8	24.0	15.5	75.6	52.2	7.0	24.6	6.1	12.5
	1957	I	53.4	41.0	67.8	41.5	22.5	19.6	64.5	64.6	12.5	35.7	10.8	21.0
		II	40.5	36.6	21.3	42.4	25.3	24.4	55.5	64.0	7.4	37.9	6.0	27.2
		III	44.5	35.6	13.6	40.3	24.9	24.9	67.2	60.4	6.8	32.7	8.2	26.0
5. United Kingdom	1948		12.2	15.7	13.4	20.4	0.8	1.3	16.1	24.9	1.2	2.8	...	...
	1951		49.8	27.4	23.9	27.6	3.2	1.6	49.5	37.0	2.1	8.0	...	...
	1952		34.7	30.8	17.0	30.9	1.4	1.2	32.9	36.2	0.7	10.1	...	...
	1953		18.5	23.1	21.1	14.4	1.3	1.1	21.1	31.0	0.6	10.0	...	...
	1954		14.9	21.3	17.4	23.2	1.2	2.3	22.1	27.8	1.8	8.1	...	...
	1955		26.5	24.1	15.2	17.6	1.4	3.2	35.8	32.3	1.8	8.6	0.4	1.1
	1956		23.2	27.2	13.6	14.4	1.7	3.8	33.0	34.7	2.6	10.6	0.1	0.9
	1956	III	24.5	27.6	8.7	16.3	1.8	3.9	33.3	35.8	3.2	10.9	0.3	1.0
		IV	20.9	27.3	15.8	15.2	1.3	3.8	30.9	32.8	1.9	9.8	—	0.7
	1957	I	21.2	28.5	25.1	21.8	2.0	3.8	26.5	39.0	4.1	12.6	—	1.1
		II	17.7	26.0	5.9	20.8	1.7	6.5	23.6	38.2	2.5	11.2	0.1	1.1
		III	20.6	27.2	6.2	19.7	1.7	7.5	23.5	36.4	2.5	11.9	0.1	1.7
6. Eastern Europe	1948		6.1	0.9	6.2	1.1	2.0	0.1	8.5	0.7	—	0.3	—	...
	1951		6.2	0.2	8.1	2.2	—	—	11.0	1.3	—	0.1	...	...
	1952		3.0	0.2	9.0	1.8	—	0.1	5.3	0.7	—	0.1	...	...
	1953		1.5	0.2	3.2	0.4	—	—	2.8	1.4	—	0.1	...	...
	1954		1.9	0.2	2.0	0.7	—	0.1	2.1	0.9	—	—	...	...
	1955		2.1	0.2	1.8	0.4	—	—	2.7	0.8	0.1	0.1	—	—
	1956		4.7	0.3	1.4	0.5	—	—	6.3	1.0	—	0.5	—	0.1
	1956	III	4.0	0.4	1.2	0.4	—	—	7.5	0.8	—	0.6	—	0.1
		IV	2.8	0.2	1.0	0.7	—	0.1	6.1	0.7	—	0.4	—	—
	1957	I	5.0	0.4	3.7	0.5	—	—	7.6	1.1	—	0.7	—	—
		II	4.3	0.4	1.3	1.0	—	—	11.0	1.3	—	0.8	—	—
		III	2.6	0.1	1.9	0.9	—	—	6.0	1.2	—	0.5	—	—

EXTERNAL TRADE

6. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Million dollars

TRADE WITH	Year and Quarter	MALAYA, Federation of		PAKISTAN[c,g]		PHILIPPINES		SINGAPORE		THAILAND[f]		VIET-NAM[i]	
		Exports	Imports	Exports	Imports	Exports	Imports[h]	Exports	Imports	Exports	Imports	Exports	Imports
7. North America	1948	30.9	4.8	12.4	6.6	53.8	120.2	29.1	23.6	13.1	4.2	...	...
	1951	38.4	3.0	8.3	8.0	72.1	91.1	74.6	17.9	35.3	13.0	...	...
	1952	26.0	3.2	5.6	10.1	60.2	80.8	34.1	14.8	24.8	15.0	...	...
	1953	21.0	2.2	7.4	4.2	69.6	90.6	24.1	10.3	17.7	14.6	...	...
	1954	18.7	1.5	6.1	6.2	62.4	85.4	25.3	11.9	13.8	11.1	...	...
	1955	29.7	1.7	7.9	8.6	60.3	93.6	37.9	11.8	26.5	13.1	4.0	8.0
	1956	31.7	2.1	8.2	6.7	59.5	79.2	28.0	15.1	21.0	14.6	2.0	15.0
	1956 III	33.1	1.9	6.2	9.0	53.3	80.9	27.1	14.0	17.0	14.7	2.5	15.4
	IV	33.1	1.8	7.7	8.1	62.4	83.6	31.5	13.2	24.7	14.3	2.6	17.4
	1957 I	24.1	2.4	14.3	35.1	68.8	86.3	30.9	13.4	21.9	16.8	3.3	19.0
	II	26.7	2.4	8.8	27.4	64.9	96.3	26.4	12.1	15.3	16.8	3.3	17.8
	III	35.0	2.6	*7.3*	*44.9*	*45.4*	*88.7*	23.9	13.5	*15.1*	*21.0*	*8.1*	*15.5*
8. United States of America	1948	27.1	3.1	12.0	6.0	52.4	117.7	26.7	21.5	13.1	4.1	...	...
	1951	32.9	2.3	7.9	7.6	70.9	87.6	64.6	15.5	34.4	12.4	...	...
	1952	23.9	12.6	5.6	9.1	59.5	77.1	29.7	12.4	24.6	14.4	...	...
	1953	19.0	2.0	7.2	4.1	69.0	87.8	20.2	9.5	17.5	14.2	...	...
	1954	16.4	1.3	6.0	5.2	61.6	81.6	21.2	10.9	13.6	10.6	...	...
	1955	26.7	1.5	7.7	8.0	60.0	89.0	32.4	10.7	26.2	12.5	4.0	7.9
	1956	28.2	1.8	7.8	6.5	59.1	75.1	23.2	13.5	20.8	14.2	2.0	14.9
	1956 III	28.8	1.6	5.9	8.8	53.0	76.2	22.5	12.2	16.9	14.3	2.5	15.3
	IV	29.8	1.6	7.5	7.7	61.7	79.7	25.3	11.9	24.6	13.8	2.6	17.4
	1957 I	21.2	2.0	14.1	25.7	67.8	81.5	25.6	12.0	21.9	16.1	3.3	19.0
	II	23.9	2.1	8.7	26.5	64.3	92.4	22.4	10.8	15.2	16.3	3.2	17.7
	III	31.0	2.3	*7.3*	*44.9*	*45.1*	*84.9*	19.4	12.0	*15.1*	*20.4*	*8.1*	*15.5*
9. Latin American Republics	1948	0.8	0.4	1.8	0.2	1.3	3.6	0.9	0.8	0.2	—	...	...
	1951	4.2	—	—	—	2.0	1.1	12.1	0.3	0.5	—	...	...
	1952	1.4	—	—	—	1.6	0.4	3.4	0.3	—	—	...	...
	1953	1.4	—	0.5	—	2.8	0.2	3.7	0.1	—	—	...	...
	1954	1.8	—	0.9	—	3.0	0.7	4.9	0.2	—	—	...	...
	1955	2.6	—	1.6	—	3.6	0.7	8.1	0.2	0.2	—	...	...
	1956	1.7	0.1	0.9	—	3.7	1.2	4.9	0.4	0.2	—	—	0.4
	1956 III	1.6	0.1	0.9	—	4.5	0.5	5.8	0.5	0.5	—	—	0.8
	IV	1.9	0.1	1.0	—	3.8	1.4	5.5	0.4	0.1	—	—	0.2
	1957 I	2.7	0.1	2.0	1.8	1.8	0.7	6.1	0.4	—	—	—	0.3
	II	3.5	0.1	0.6	1.4	3.0	1.1	10.6	0.1	0.3	—	0.1	0.3
	III	4.2	—	*0.6*	*6.0*	*5.3*	*2.5*	13.2	0.9	—	*0.3*	—	—
10. Oceania	1948	0.6	3.6	0.5	0.3	0.2	1.8	6.8	7.6	—	—	...	...
	1951	2.9	4.4	2.2	0.3	1.4	0.2	25.2	7.6	0.1	0.6	...	...
	1952	0.5	5.1	1.0	0.6	0.2	0.4	15.4	8.6	0.1	0.6	...	...
	1953	0.8	6.6	1.4	0.5	0.2	0.3	15.5	7.4	—	1.0	...	...
	1954	1.5	4.3	1.6	0.5	0.2	0.8	15.3	7.2	—	0.6	...	...
	1955	1.9	4.5	1.4	0.6	0.3	1.3	17.4	7.8	0.1	0.8	—	0.2
	1956	1.6	4.9	0.6	0.6	0.3	1.4	19.8	9.1	0.1	0.9	—	0.1
	1956 III	1.3	3.8	0.6	0.5	0.4	1.7	17.7	8.6	0.1	1.0	—	0.2
	IV	1.3	5.7	0.4	0.5	0.4	2.2	15.0	9.2	—	0.8	—	0.1
	1957 I	1.2	6.2	0.9	3.0	0.5	2.3	17.5	10.2	0.2	1.1	—	—
	II	1.6	5.3	0.3	1.0	—	3.7	17.4	10.1	0.2	1.1	0.1	0.1
	III	1.7	4.1	*0.3*	*5.5*	*0.5*	*2.7*	15.1	10.6	*0.1*	*1.0*	—	—
11. Sterling Area	1948	18.2	32.8	110.4	72.6	2.4	5.4	40.7	56.6	28.4	20.0	...	...
	1951	64.3	42.5	81.8	54.9	5.2	7.6	117.4	96.7	50.2	25.7	...	...
	1952	40.6	45.5	36.8	61.7	2.8	7.5	75.4	85.7	43.5	35.7	...	...
	1953	24.5	39.3	37.0	23.4	2.3	6.0	67.3	71.8	39.9	30.3	...	...
	1954	22.7	24.5	33.6	32.6	2.4	10.2	70.1	69.6	32.1	22.5	...	...
	1955	34.9	38.6	38.5	25.9	2.6	12.1	85.3	79.1	35.7	26.7	2.4	3.5
	1956	32.7	42.8	32.4	20.7	3.8	12.4	84.8	87.3	39.0	39.1	0.6	2.3
	1956 III	34.0	41.2	23.0	22.2	4.5	12.4	83.4	87.4	36.3	33.2	0.7	2.1
	IV	29.1	46.4	32.5	22.6	3.3	14.4	82.9	85.9	48.9	35.9	0.8	2.2
	1957 I	32.5	43.7	45.4	33.9	4.3	15.6	84.7	92.7	48.3	36.4	0.8	2.3
	II	27.2	40.5	24.8	30.0	4.5	18.5	80.2	79.0	35.8	32.4	0.8	2.2
	III	29.5	42.1	*19.8*	*40.8*	*3.3*	*18.2*	74.9	83.0	*50.8*	*35.9*	*2.4*	*2.9*
12. ECAFE Sterling Countries[a]	1948	4.9	10.8	96.2	50.8	1.4	2.2	17.5	21.4	26.3	16.4	...	...
	1951	11.3	10.1	54.4	25.8	0.8	4.8	34.4	48.5	46.2	9.1	...	...
	1952	4.8	9.0	18.0	29.2	0.6	5.8	23.8	37.1	41.2	24.7	...	...
	1953	4.8	9.3	13.2	6.6	0.6	4.5	26.0	29.0	37.8	19.1	...	...
	1954	5.4	6.7	11.6	6.3	0.7	6.7	27.2	21.2	28.0	13.6	...	...
	1955	4.9	8.7	16.9	5.5	0.7	7.3	25.5	31.7	31.6	17.0	1.9	2.3
	1956	6.1	9.1	13.8	4.6	1.6	7.1	29.1	34.6	34.5	26.6	0.5	1.2
	1956 III	6.9	8.6	11.1	4.7	2.1	6.7	27.6	33.4	31.0	19.9	0.4	0.9
	IV	5.6	11.0	13.0	5.7	1.5	8.4	32.9	36.5	44.0	25.0	0.8	0.9
	1957 I	9.5	7.6	13.3	7.6	2.0	9.3	34.1	34.0	40.1	22.4	0.8	1.2
	II	5.1	7.5	14.5	7.7	2.5	8.5	33.5	30.4	30.4	19.1	0.6	0.9
	III	5.6	9.6	*10.0*	*15.2*	*0.8*	*7.6*	30.3	32.7	*46.0*	*21.7*	*2.3*	*1.2*

f. Figures prior to 1956 are derived from trade returns of partner countries. Totals for geographical and currency areas may not be complete.

g. Beginning 1951, including overland trade.

h. Imports valued f.o.b.

i. See table 5, footnote g.

7. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
BURMA (*kyat*)													
Food	5.5	9.1	9.4	10.3	8.0	6.8	6.7	8.9	9.3	*12.7*	*8.9*	*14.1*	...
Chemicals	3.4	3.9	4.1	4.6	5.4	7.1	7.4	9.0	10.9	*10.2*	*10.8*	*9.4*	...
Textiles	21.3	30.6	24.0	24.1	16.6	22.4	16.8	29.8	30.5	*42.5*	*38.7*	*20.2*	...
Base metals and manufactures	3.1	3.1	7.3	9.4	8.4	6.9	8.5	8.1	9.3	*14.1*	*14.6*	*18.1*	...
Machinery	2.7	4.7	5.8	7.8	7.3	10.1	9.3	8.2	9.3	*10.0*	*14.8*	*13.6*	...
Transport equipment	1.2	2.2	2.0	4.6	5.7	6.3	5.2	8.8	8.3	*9.0*	*13.7*	*14.3*	...
Other manufactured goods	9.1	11.6	9.2	11.2	9.3	9.7	9.0	10.0	12.7	*14.8*	*13.9*	*12.8*	...
CAMBODIA (*riel*)													
Food	...	...	11.2	10.0	14.0	14.8	13.3	13.8	7.5	17.2	23.7	25.3	...
Beverages and tobacco	...	...	22.4	22.8	9.0	5.2	4.4	3.5	5.3	5.7	6.8	9.1	...
Mineral fuels	...	...	9.8	13.6	11.8	9.9	9.2	10.1	7.7	3.2	6.5	4.8	...
Textiles	...	...	24.5	26.9	27.8	33.4	33.7	43.5	13.0	26.3	33.3	54.6	...
Base metals and manufactures	...	...	7.8	10.1	13.1	13.6	14.9	11.0	11.6	15.4	26.5	26.2	...
Machinery	...	...	4.3	5.6	11.3	16.1	15.9	15.9	14.3	13.0	11.7	9.1	...
Transport equipment	...	...	11.8	10.2	10.8	15.1	18.1	11.4	8.8	*8.6*	13.2	8.5	...
CEYLON (*rupee*)[a]													
Food	56.6	63.9	64.6	53.8	[a] 50.3	56.7	60.1	71.9	55.1	63.8	68.4	57.3	57.4
Cereals and cereal preparations	32.3	40.5	43.4	33.0	26.1	28.3	27.7	39.3	26.9	33.0	30.7	30.7	31.8
Mineral fuels, lubricants and related materials	10.6	12.7	12.1	9.9	12.0	10.6	12.3	7.8	19.3	15.0	20.9	5.0	28.1
Chemicals	6.2	5.1	5.4	6.1	7.6	8.2	8.0	7.4	12.7	11.3	8.3	8.9	8.3
Textiles	17.5	17.2	13.5	12.2	11.3	13.4	13.4	15.3	16.4	13.5	13.0	16.6	10.9
Machinery	6.7	7.8	7.7	5.7	7.1	8.7	9.1	9.6	9.5	12.0	8.5	8.8	9.7
Transport equipment	6.8	8.2	7.0	4.8	5.9	6.9	7.1	5.5	8.4	8.1	5.7	7.0	7.8
Other manufactured goods	21.3	21.7	19.3	20.0	21.8	25.1	24.0	26.2	26.9	27.0	23.1	25.9	25.1
CHINA (Taiwan, *new Taiwan dollar*)													
Food	16.2	30.6	35.3	43.7	26.6	42.4	37.9	52.6	27.7	21.6	33.5	14.1	60.1
Crude materials, inedible, except fuels	15.2	24.7	52.2	66.9	63.5	92.1	107.2	76.1	86.2	131.1	125.7	96.0	92.5
Oil-seeds, oil nuts and oil kernels	11.9	11.6	15.6	17.5	19.0	23.3	27.8	18.6	19.0	30.1	24.0	17.7	39.4
Textile fibres, raw	1.1	2.3	25.7	31.8	31.8	37.1	37.7	28.1	31.7	58.6	62.5	45.9	7.7
Mineral fuels, lubricants and related materials	9.2	9.4	10.9	9.3	21.3	26.2	13.1	36.0	49.1	23.6	42.7	173.8	5.3
Chemicals	24.2	48.8	33.3	47.6	44.8	75.7	51.7	84.0	84.2	55.2	64.7	54.7	46,4
Textiles	21.0	25.5	15.4	6.4	4.4	3.9	2.5	3.6	2.0	2.9	1.4	0.9	1.9
Base metals and manufactures	12.7	20.5	23.1	29.0	25.9	45.7	44.2	43.2	32.2	51.0	54.7	43.0	61.8
Machinery	12.9	19.5	25.3	33.5	43.8	60.6	65.3	78.5	46.9	53.3	80.5	126.6	99.2
Transport equipment	5.4	6.4	11.1	8.6	8.0	14.2	10.7	22.8	10.9	23.5	13.5	17.7	24.1
Other manufactured goods	3.0	18.0	34.8	20.0	16.9	26.7	27.1	22.3	21.0	33.1	43.2	50.7	35.2
INDIA (*rupee*)[a]													
Food	184.3	193.2	94.3	81.7	89.2	39.8	34.9	37.2 [a]	62.6	41.7	*76.4*	...	...
Crude materials, inedible, except fuels	193.6	133.7	74.9	72.7	94.2	99.6	85.7	90.5	106.1	110.9	*88.4*	...	...
Cotton raw and waste	94.7	97.4	41.5	47.9	44.6	44.7	27.9	36.4	54.2	51.7	*30.1*	...	...
Petroleum and products	54.0	65.8	66.0	72.5	78.3	90.4	89.6	96.5	58.5	107.0	*81.5*	...	...
Chemicals	44.5	35.8	33.5	41.9	44.0	49.0	45.7	49.5	58.9	72.5	*74.4*	...	...
Base metals and manufactures	35.9	43.5	38.6	45.3	69.0	131.2	148.3	155.0	177.9	214.2	*175.2*	...	...
Machinery	72.1	86.5	65.8	75.7	76.9	127.5	134.2	130.9	164.5	169.6	*184.1*	...	...
Transport equipment	42.9	41.0	22.2	31.7	56.2	64.4	61.8	71.2	64.5	56.6	*52.7*	...	...
Other manufactured goods	80.1	56.8	49.3	55.8	68.2	90.8	139.6	27.5	70.5	70.4	*73.4*	...	...
INDONESIA (*rupiah*)													
Live animals, food products, beverages and tobacco	52.5	215.1	131.9	96.0	63.3	176.1	126.4	218.3	117.9	152.0	128.4	86.8	*82.0*
Chemicals and allied products	17.5	46.0	40.9	37.0	53.6	55.8	48.5	41.3	59.7	71.9	48.2	42.9	*71.7*
Textiles, apparel and footware	91.0	219.1	212.9	173.8	175.0	202.0	218.0	120.7	212.4	174.0	129.6	137.3	*129.8*
Base metals and manufactures	29.3	94.6	67.9	63.1	70.4	79.3	84.1	69.9	111.6	130.1	121.4	74.8	*75.2*
Machinery and transport equipment	37.2	162.7	136.3	115.7	102.4	144.6	157.7	123.3	125.3	148.9	144.8	134.3	*89.5*
JAPAN (*thousand million yen*)													
Food	14.86	17.86	18.12	19.30	18.34	16.47	15.74	17.10	13.35	20.10	17.29	19.33	15.14
Cereals and cereal preparations	10.90	12.98	12.98	14.66	13.20	11.08	10.98	11.15	6.81	12.39	9.15	11.42	8.13
Sugar and sugar preparations	2.91	3.53	3.79	3.39	3.64	4.02	3.69	3.93	4.33	5.16	5.36	5.14	4.43
Crude materials, inedible, except fuels	36.40	3.17	34.63	33.78	36.77	51.31	54.37	57.13	67.80	73.50	54.92	45.91	41.11
Oil-seeds, oil nuts & oil kernels	2.58	1.16	2.41	2.91	4.41	4.01	4.73	2.80	4.92	4.64	3.55	4.11	2.82
Crude rubber	2.52	1.48	1.51	1.30	2.24	2.66	2.53	3.04	3.34	3.34	3.12	2.48	1.99
Textile fibres, raw	22.51	17.91	19.98	18.54	17.57	23.16	24.69	23.07	28.90	28.97	18.69	18.28	17.87
Metal ores and scrap	2.83	4.36	5.20	5.13	5.57	13.70	13.79	19.47	22.32	26.73	20.77	14.68	12.13

7. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months

Millions

	1951	1952	1953	1954	1955	1956	1956		1957				
							III	IV	I	II	III	Oct	Nov
JAPAN (*thousand million yen*) (*Cont'd*)													
Mineral fuels, lubricants and related materials	4.80	7.02	8.66	8.02	8.67	12.38	12.25	14.03	18.51	22.98	20.31	20.57	19.76
Chemicals	1.10	1.33	2.08	1.92	2.41	4.90	5.13	5.36	5.66	6.75	5.20	4.79	4.28
Machinery	1.72	2.72	2.79	3.77	3.29	3.93	3.72	3.79	5.32	7.19	7.82	8.67	7.89
Transport equipment	1.24	1.28	2.03	1.55	0.68	0.92	0.95	1.00	1.08	1.86	1.36	1.20	0.99
Other manufactured goods	1.75	1.74	2.68	2.54	2.41	5.68	5.44	9.15	14.58	19.55	20.28	8.62	6.01
KOREA, southern (*hwan*)													
Food	3	258	821	276	555	452	505	422	221	1,170	1,327	731	1,021
Cereals and cereal preparations	—	230	697	122	78	65	72	21	137	730	840	384	555
Beverages and tobacco	1	24	67	126	188	220	261	168	203	266	255	200	197
Crude materials, inedible, except fuels	22	22	103	106	115	120	92	54	86	194	175	400	354
Chemicals	20	114	306	351	693	370	207	223	375	258	239	421	290
Textiles	27	67	229	604	1,273	663	428	840	357	209	186	580	659
Machinery	2	12	42	203	276	254	256	194	180	307	331	240	234
Transport equipment	1	4	21	113	52	79	164	52	35	59	61	63	24
Other manufactured goods	22	71	223	461	862	711	706	716	620	780	522	710	899
LAOS (*Kip*)													
Food	...	...	...	...	15.2	18.0	19.5	24.2	12.2	15.8	...	...	...
Cereals and cereal preparations	...	...	...	...	7.4	10.5	11.6	15.3	4.6	4.8	...	...	...
Petroleum products	...	...	...	...	2.3	4.0	5.2	6.0	2.6	3.3	...	...	...
Chemicals	...	...	...	...	2.9	5.6	5.6	4.8	5.4	5.0	...	...	...
Textiles	...	...	...	...	9.1	23.0	14.8	21.4	29.9	14.7	...	...	...
Machinery	...	...	...	...	3.9	6.9	6.9	5.1	7.8	8.2	...	...	...
Transport equipment	...	...	...	...	3.5	12.0	13.7	16.7	10.1	27.7	...	...	...
Other manufactured goods	...	...	...	...	11.5	24.6	18.6	23.3	19.4	24.4	...	...	...
MALAYA, Federation of[a] (*Malayan dollar*)													
Food	24.5	26.2[a]	28.2	20.2	24.8	27.4	25.8	31.0	30.0	25.5	29.9	29.0	26.8
Cereals and cereal preparations	10.9	10.9	14.1	7.1	10.2	11.0	9.4	14.7	13.3	8.9	12.8	13.5	8.7
Crude materials, inedible, except fuels	22.8	8.6	6.3	8.8	10.7	12.1	12.5	14.0	12.6	10.8	16.1	13.0	14.7
Metal ores and scrap	5.5	3.8	3.0	3.9	5.3	5.7	5.3	7.5	6.6	6.0	7.9	7.4	9.1
Mineral fuels, lubricants and related materials	5.4	6.0	6.3	6.9	7.7	6.4	7.8	5.9	8.1	8.0	7.3	4.2	5.5
Textiles	6.5	4.7	2.9	3.0	3.5	3.4	3.0	3.6	3.7	3.4	3.0	3.1	2.7
Machinery	5.7	7.3	6.6	6.1	5.6	7.1	6.9	7.0	8.0	7.3	7.2	7.3	7.1
Transport equipment	5.1	6.0	3.4	2.3	3.1	4.3	3.7	4.2	4.6	3.2	3.9	3.9	3.6
Other manufactured goods	16.7	16.6	12.3	11.6	14.5	16.1	16.9	16.2	19.1	17.3	15.3	14.2	13.8
NORTH BORNEO (*Malayan dollar*)													
Food	*1.81*	*1.71*	*1.51*	1.46	1.89	2.54	2.89	2.89	2.4	2.2	2.4	...	...
Mineral fuels, lubricants and related materials	...	...	...	0.48	0.44	0.51	0.59	0.40	0.6	0.5	0.5	...	...
Chemicals	...	...	...	0.24	0.32	0.41	0.44	0.41	0.5	0.5	0.4	...	...
Textiles	*0.78*	*0.39*	*0.38*	0.46	0.53	0.69	0.77	0.88	0.6	0.6	0.5	...	...
Machinery	0.22	0.48	0.70	0.70	0.57	0.68	0.82	0.53	1.0	0.9	1.0	...	...
Transport equipment	0.28	0.26	0.16	0.25	0.24	0.51	0.30	0.69	0.7	0.4	0.4	...	...
Other manufactured goods	...	...	...	1.17	1.59	2.01	2.25	2.40	2.0	2.2	2.0	...	...
PAKISTAN (*rupee*)[b]													
Mineral oils	6.1	8.5	8.3	8.3	9.5	8.3	9.0	10.3	8.3	6.6	7.6	...	...
Cotton piecegoods	27.5	23.0	1.2	2.5	2.2	4.3	0.8	0.5	2.0	0.4	0.2	...	...
Cotton twist and yarn	18.0	16.3	4.0	4.0	0.9	1.1	0.6	0.5	1.0	0.4	0.2	...	...
Iron and steel manufactures	7.2	14.0	4.9	5.6	8.3	9.7	9.0	10.5	16.3	20.0	18.6	...	...
Machinery	11.6	14.6	10.0	22.9	20.8	15.2	16.5	17.6	26.2	29.2	25.9	...	...
Transport equipment	5.6	7.0	2.1	3.7	4.1	5.5	5.2	7.7	10.2	7.2	7.5	...	...
PHILIPPINES (*peso*)[c]													
Food	16.6	12.8	12.8	13.2	17.1	14.7	16.3	16.1	19.3	15.7	17.3	20.0	18.0
Cereals and cereal preparations	6.5	5.8	3.6	4.3	6.2	4.4	5.7	3.8	6.6	5.3	5.1	5.9	6.4
Mineral fuels, lubricants and related materials	6.9	7.0	8.1	9.0	9.0	8.7	8.9	9.3	8.8	10.4	9.7	9.7	9.8
Chemicals	6.2	5.4	6.4	6.4	7.3	6.5	6.6	7.5	9.0	9.8	9.6	9.8	10.3
Textiles	15.7	13.1	13.2	14.3	14.2	9.9	10.0	12.3	12.0	15.5	11.7	15.8	13.8
Machinery	6.1	7.1	9.0	10.3	12.4	16.1	17.5	15.6	15.1	21.0	19.3	17.0	17.4
Transport equipment	3.0	3.6	3.6	4.2	5.0	4.8	4.6	4.6	4.2	5.8	7.5	3.8	5.1
Other manufactured goods	20.4	17.2	19.1	19.8	21.7	20.1	20.7	20.0	22.0	29.3	26.8	24.9	23.8

7. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
SARAWAK (*Malayan dollar*)													
Food	4.29	4.02	3.64	3.85	4.32	4.36	4.63		4.3		...	...	...
Mineral fuels, lubricants and related materials	22.23	22.95	22.44	22.40	24.93	26.80	27.09		26.7		...	...	...
Chemicals	0.24	0.23	0.53	0.70	0.82	0.79	0.92		0.7		...	...	...
Textiles	...	...	...	0.57	0.61	0.54	0.56		0.6		...	...	...
Machinery	0.52	0.48	1.08	1.19	1.21	1.20	1.24		1.1		...	...	...
Transport equipment	0.12	0.16	0.36	0.36	0.37	0.45	0.39		0.4		...	...	...
Other manufactured goods	...	...	...	2.10	2.37	2.38	2.40		2.1		...	...	...
SINGAPORE (*Malayan dollar*)[a]													
Food	57.6	58.0	[a] 51.1	44.7	45.2	50.5	53.0	49.7	52.9	47.9	54.6	45.9	38.3
Cereals and cereal preparations	20.7	22.6	17.9	11.7	11.7	13.3	12.6	11.5	13.3	9.9	12.9	12.4	7.6
Crude materials, inedible, except fuels	100.4	46.8	32.7	38.7	59.5	54.9	57.8	55.5	51.9	55.2	67.6	66.1	49.9
Crude rubber	89.8	38.8	24.4	27.8	51.0	46.4	49.6	46.6	41.9	43.9	56.6	51.2	35.7
Mineral fuels, lubricants and related materials	27.5	42.1	44.7	43.7	50.0	59.1	50.1	59.8	74.5	62.4	64.7	65.6	72.1
Textiles	39.4	25.9	14.9	12.7	17.9	17.9	14.0	16.8	19.0	17.5	16.3	15.8	18.5
Machinery	7.9	10.1	7.6	7.9	10.3	12.2	12.8	11.7	13.9	13.3	15.6	9.5	11.2
Transport equipment	9.4	10.2	6.0	4.9	6.2	7.6	6.8	5.8	8.6	8.5	9.4	7.6	6.1
Other manufactured goods	43.0	32.1	24.2	25.7	30.2	34.1	36.7	33.3	41.2	40.8	36.2	34.2	34.2
THAILAND (*baht*)													
Food	41.5	59.2	52.5	53.3	51.5	55.2	52.9	49.5	51.9[r]	56.9	55.5	*51.4*	*54.2*
Mineral fuels, lubricants and related materials	22.2	35.0	39.3	47.5	57.0	64.6	61.9	72.1	69.7	79.6	75.5	*69.3*	*62.8*
Chemicals	19.0	24.6	28.2	43.9	48.1	54.5	55.1	52.9	61.4	65.0	63.8	*59.4*	*61.1*
Textiles	71.5	91.9	93.4	105.0	113.4	120.3	96.5	131.4	*131.4*	*99.4*	*103.5*	*138.0*	*111.5*
Machinery	27.2	48.5	67.1	71.1	65.3	73.8	69.4	81.1	*83.7*	*76.2*	*95.2*	*63.3*	*66.8*
Transport equipment	20.9	44.1	46.7	44.6	48.7	53.1	65.4	39.6	*60.7*	*68.5*	*76.7*	*49.2*	*78.7*
Other manufactured goods	89.7	132.3	151.0	168.7	191.1	173.8	167.8	164.2	*199.5*	*203.1*	*160.1*	*165.4*	*167.3*
VIET-NAM (*piastre*)[d]													
Food	55.8	84.8	111.1	122.0	89.6	82.2	74.0	104.4	70.1	85.9	...	...	...
Petroleum and products	13.8	21.3	32.0	41.0	33.7	35.0	27.7	45.1	19.6	67.1	...	...	...
Textiles	164.9	209.6	231.4	190.1	111.2	123.5	89.8	183.7	108.6	107.8	*107.6*	*100.4*	*95.7*
Machinery	1.7[e]	51.0	71.7	76.2	65.4	49.2	52.7	37.1	64.8	81.3	101.0	97.2	73.1
Transport equipment	1.8	46.6	47.2	49.3	52.3	32.6	41.0	23.3	32.2	55.9	62.0	63.9	91.7

GENERAL NOTE: (1) See table 5. (2) For Federation of Malaya and Singapore: Trade between Federation of Malaya and Singapore is excluded.

a. 1951 to 1954 figures for Ceylon, 1951 to 1956 figures for India and 1951 to 1952 figures for Federation of Malaya and Singapore, reclassified by ECAFE secretariat, may not conform exactly to the new classification beginning from 1955, 1957 and 1953 respectively.
b. Figures prior to 1957, relating to private account only. From 1957 onwards figures including government account.
c. Imports valued f.o.b.
d. See footnote g in table 5.
e. Excluding electric machinery.

8. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months — *Millions*

	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
BURMA (*kyat*)													
Rice and products	60.3	82.6	70.7	79.4	68.1	72.3	75.4	68.3	71.9	*82.2*	*73.0*	*52.4*	...
Natural rubber	2.4	2.2	2.0	2.4	2.7	3.7	3.7	1.5	3.9	*4.5*	*2.6*	*0.4*	...
Teak	4.0	3.0	2.4	2.0	1.8	2.8	2.7	3.4	4.8	—	—	—	...
Raw cotton	3.9	4.1	5.1	4.2	3.2	4.3	2.8	3.1	2.9	...	...	...	...
Base metals and ores	3.5	5.0	4.6	3.8	4.9	5.2	4.5	4.9	4.5	*3.3*	*1.8*	*2.8*	...
CAMBODIA (*riel*)													
Rice	...	...	38.5	69.5	9.3	20.6	3.6	17.6	81.9	62.9	46.3	47.5	...
Maize	...	...	8.0	16.9	12.5	15.9	17.0	21.8	8.5	21.3	11.9	21.9	...
Natural rubber	...	...	25.8	34.3	51.1	42.2	53.5	36.1	33.4	54.8	45.2	61.8	...
CEYLON (*rupee*)													
Tea	66.7	60.3	68.8	93.6	99.5	87.0	85.3	87.6	105.7	79.4	90.5	82.8	78.4
Coconut and products	26.9	19.5	20.5	18.2	19.0	18.0	21.6	19.8	11.8	10.7	16.2	15.4	17.8
Natural rubber	48.5	31.1	28.1	23.8	29.2	24.4	31.0	20.3	33.9	19.3	19.7	42.9	19.7
CHINA (Taiwan, *new Taiwan dollar*)													
Rice	19.5	18.6	17.4	9.4	37.3	34.4	—	66.4	15.3	40.0	41.0	59.4	10.2
Fruits, fresh, dried and preserved	7.5	9.9	8.1	10.7	12.3	18.4	29.3	9.9	8.5	11.9	24.3	28.2	14.2
Tea	8.6	7.1	8.8	12.1	7.0	10.2	9.7	15.4	8.0	8.0	16.7	18.0	10.8
Sugar	64.6	72.0	111.2	70.2	79.6	127.6	83.5	106.4	317.0	230.6	107.4	48.7	164.8
INDIA (*rupee*)[a]													
Food	125.2	111.7	118.7	144.8	131.2	157.6	160.5	202.6	[a] 165.9	96.0	*172.2*	...	...
Tea	79.7	67.3	85.9	109.4	94.3	118.5	124.7	167.1	122.4	42.2	*111.5*	...	...
Spices	27.1	19.5	14.5	12.0	8.8	7.7	6.0	6.9	10.9	6.1	*4.8*	...	...
Crude materials, inedible, except fuels	99.9	88.8	86.3	73.2	98.3	84.2	72.2	89.7	120.8	120.1	*94.6*	...	...
Hides and skins, undressed	8.3	4.9	4.9	5.7	5.6	5.1	2.5	6.1	6.2	6.6	*7.6*	...	...
Cotton raw and waste	21.4	20.3	16.7	15.4	28.9	20.9	11.7	13.5	24.9	23.3	*7.6*	...	...
Vegetable oils	27.5	22.8	7.9	7.4	31.2	17.4	6.7	10.1	10.5	12.5	*10.3*	...	...
Chemicals	6.7	6.1	4.4	4.7	4.1	4.5	3.7	5.5	4.6	3.6	*5.7*	...	...
Leather and manufactures	27.9	14.8	21.2	18.2	19.0	18.7	15.8	21.0	17.7	20.0	*17.8*	...	...
Cotton yarn and fabrics	78.4	60.4	53.1	59.7	53.0	51.9	47.0	57.0	69.5	56.2	*52.2*	...	...
Jute yarn and fabrics	200.2	136.1	92.0	101.2	102.9	94.6	96.6	109.9	60.1	47.1	*56.8*	...	...
Other manufactured goods	35.1	29.0	30.9	29.3	31.3	30.9	28.9	32.6	73.6	100.0	*118.9*	...	...

8. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS *(Cont'd)*

Monthly averages or calendar months *Millions*

	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
INDONESIA *(rupiah)*													
Tea	11.6	20.9	22.3	37.8	29.7	28.1	24.4	32.9	36.0	22.2	27.5	30.5	30.3
Copra	40.7	43.2	54.1	54.8	40.6	42.8	52.2	56.4	43.2	25.6	49.5	58.0	75.7
Natural rubber	206.9	344.7	256.6	251.1	407.8	335.7	345.6	383.7	290.6	309.3	450.1	315.1	246.9
Tin ore	25.7	81.8	76.8	56.5	56.5	60.5	64.1	70.9	47.5	49.0	53.7	58.1	49.5
Petroleum and products	52.8	162.1	191.0	214.9	201.9	213.3	206.1	247.5	175.3	241.0	249.1	287.2	286.0
JAPAN *(thousand million yen)*													
Food	2.02	2.87	3.72	3.92	3.98	5.32	4.88	5.93	4.53	4.64	5.84	5.33	6.65
Fish and fish preparations	1.06	1.37	1.82	2.23	2.27	3.62	3.27	4.23	3.36	2.92	3.98	3.64	4.35
Crude materials, inedible except fuels	2.34	2.52	2.09	2.50	2.94	2.86	2.98	3.27	2.52	2.55	3.01	2.77	2.78
Textile fibres, raw	1.84	1.47	1.42	1.54	1.74	1.65	1.72	2.13	1.51	1.53	1.98	1.74	1.64
Chemicals	1.10	1.20	1.87	2.37	2.82	3.21	3.35	2.88	3.76	4.26	4.18	3.33	2.74
Textiles	16.07	10.99	11.27	16.50	17.55	20.81	19.34	25.34	21.63	22.55	25.86	25.28	26.20
Base metals and manufactures	8.94	10.22	5.62	7.51	11.61	10.24	10.48	9.62	8.79	8.78	9.69	10.37	9.98
Machinery	3.28	3.48	2.14	3.86	3.83	5.07	5.09	6.38	5.26	5.96	6.22	6.51	7.36
Transport equipment	0.93	1.08	3.52	2.20	3.57	9.56	8.72	13.25	13.52	12.02	14.81	6.78	9.03
Other manufactured goods	6.31	6.14	6.82	9.22	12.97	16.76	18.63	18.94	19.24	18.94	21.40	19.92	19.60
KOREA, southern *(hwan)*													
Food	3.3	19.8	52.0	67.4	42.7	58.5	65.9	94.6	104.4	117.1	202.3	221.3	166.3
Crude materials, inedible except fuels	33.2	131.7	235.0	426.6	566.5	841.5	755.2	803.0	681.5	686.1	505.9	463.2	359.0
Chemicals	0.5	3.5	16.2	31.5	47.0	35.8	26.4	12.3	41.2	27.6	18.8	9.4	0.7
Manufactured goods	0.8	6.9	17.8	26.5	64.7	108.4	109.2	118.6	102.3	155.5	270.8	194.8	152.3
LAOS *(kip)*													
Wood and lumber	...	...	...	...	1.00	0.28	0.27	0.25	0.01	—	...	...	...
Tin ore	...	...	...	...	0.75	1.34	0.60	0.90	1.20	2.10	...	...	...
Gums and resins	...	...	...	...	0.59	0.74	2.26	0.14	0.03	0.34	...	...	...
Plants for use in medicine and perfumery	...	...	...	...	0.09	0.24	0.34	0.48	0.18	0.22	...	...	...
MALAYA, Federation of *(Malayan dollar)*													
Rubber	119.4	64.0	41.3	46.1	78.2	69.9	65.3	73.3	72.6	58.9	65.6	80.0	71.1
Iron ore	...	...	1.7	1.8	2.7	4.2	6.0	3.6	2.1	8.6	7.1	6.3	2.9
Vegetable oils	...	...	4.9	4.7	4.9	5.9	6.4	6.6	5.2	4.1	6.7	6.1	7.5
Tin	...	...	18.3	18.3	19.2	28.2	28.9	27.3	21.7	26.5	30.7	31.0	27.1
NORTH BORNEO *(Malayan dollar)*													
Copra	1.31	0.62	0.73	1.15	1.18	1.94	2.66	2.03	1.90	1.76	2.42	...	...
Rubber	7.18	3.26	1.95	2.03	3.84	3.36	3.38	3.58	3.24	3.11	3.02	...	...
Timber	0.85	0.69	1.03	1.46	1.81	2.18	2.55	2.10	2.40	2.40	2.75	...	...
PAKISTAN *(rupee)*[b]													
Tea	5.0	2.7	2.9	3.9	2.9	4.5	3.9	9.4	3.7	0.3	0.7	1.8	...
Raw jute	96.9	58.0	47.6	45.4	58.0	62.6	35.6	59.3	109.9	30.5	30.7	61.6	...
Raw cotton	80.2	72.0	52.7	29.1	33.6	30.3	21.2	14.0	59.0	23.1	9.2	16.8	...
Raw wool	4.9	4.1	4.3	3.5	5.6	5.9	5.4	8.7	8.0	10.6	8.6	6.1	...
Hides and skins	4.9	2.8	3.3	2.8	2.6	3.3	2.9	3.5	3.6	4.4	2.2	3.0	...
PHILIPPINES *(peso)*													
Coconut and coconut preparations	34.8	20.3	26.3	27.4	25.0	29.3	30.9	32.1	25.7	29.2	30.5	24.7	31.3
Sugar and related products	12.6	16.8	17.0	18.4	18.6	17.6	11.1	14.9	21.4	20.9	6.8	0.8	5.5
Fibres and manufactures	12.8	7.4	7.2	4.9	5.1	6.5	6.6	6.1	7.0	6.3	7.0	6.7	4.5
Minerals and metals	4.4	5.8	5.9	5.9	6.7	9.2	8.9	8.3	5.1	6.7	4.7	3.2	8.5
Logs, lumber and timber	2.9	3.2	4.8	5.9	6.9	8.1	9.1	8.3	7.0	9.4	7.2	4.8	8.0
SARAWAK *(Malayan dollar)*													
Pepper	1.49	2.75	4.12	3.64	2.64	2.05	2.30		0.96		...	...	...
Rubber	13.24	5.43	2.64	2.87	6.64	5.86	5.36		6.51		...	...	...
Timber, sawn and logs	0.39	0.74	1.16	1.16	1.83	1.59	1.33		1.58		...	...	...
Mineral fuels, lubricants and related materials	24.90	25.08	24.42	24.46	26.74	28.85	28.75		30.36		...	...	...
SINGAPORE *(Malayan dollar)*													
Rubber	210.7	93.6	61.8	66.2	115.9	102.0	99.2	105.5	94.0	91.5	100.1	95.8	95.2
Mineral fuels	...	...	28.6	29.4	31.2	36.2	30.8	30.7	42.7	36.9	30.9	37.5	47.1
Vegetable oils	...	...	2.8	4.5	3.9	3.9	3.7	4.9	4.3	3.9	5.3	6.1	6.7
Tin	...	...	14.4	16.3	16.9	11.6	10.4	12.5	18.9	11.5	6.8	6.9	7.2
THAILAND *(baht)*[c]													
Rice	152.0	322.2	312.2	257.2	259.8	238.4	221.8	270.4	308.3	315.5	309.8	313.7	...
Natural rubber	123.6	83.2	62.6	92.4	150.0	127.2	92.9	156.6	140.4	95.8	98.1	142.0	...
Teak	12.7	8.2	11.1	17.6	22.1	31.9	27.6	22.4	25.2	21.5	20.8	17.8	...
Tin ore and concentrates	16.5	18.4	33.3	31.1	36.7	42.3	45.1	48.6	44.1	37.4	43.2	47.6	...
VIET-NAM *(piastre)*[d]													
Rice and products	62.4	44.9	52.5	64.2	26.2	1.1	0.7	3.7	13.7	96.7	85.7	54.4	20.1
Natural rubber	102.7	71.8	70.5	68.7	122.7	107.0	139.0	102.6	152.5	86.7	130.6	177.0	104.8

GENERAL NOTE: (1) See table 5. (2) For Federation of Malaya and Singapore: Trade between Federation of Malaya and Singapore is excluded.

a. Figures for 1951 to 1956, reclassified by ECAFE Secretariat, may not conform exactly to the new classification from 1957.

b. Figures prior to 1957, relating to private account only. From 1957 onwards figures including government account.

c. From 1952 onwards baht value is obtained by converting foreign currencies at free market buying rate.

d. See footnote g in table 5.

9. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1948	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
RICE														
Burma	105.9†	110.2	109.4	86.9	129.6	141.5	162.1	175.5	155.4	*164.3*	*185.6*	*177.5*	*129.0*	...
Cambodia	...	20.7	17.5	11.5	24.7	8.4	5.8	1.7	5.7	24.7	22.3	18.9	17.0	3.1
China (Taiwan)	0.8	7.1	8.8	4.9	3.0	14.2	9.1	—	18.3	4.2	11.0	11.3	16.3	2.8
Thailand	67.7	131.4	118.8	113.3	83.5	104.0	105.5	94.8	122.0	148.1	143.2	130.7	122.8	...
Viet-Nam	...	23.0	12.8	8.6	14.6	6.8	0.4	0.3	1.3	3.7	25.8	23.7	14.0	5.1
SUGAR														
China (Taiwan)	21.3	23.6	38.3	72.9	43.5	48.8	50.0	33.0	41.8	114.8	73.6	28.8	14.7	47.4
India	...	...	...	...	...	...	...	...	...	7.7	21.6	...	...	...
Indonesia	5.3	0.5	0.1	7.8	17.7	14.7	14.1	16.2	19.6	3.7	2.6	16.9	30.5	34.4
Philippines	18.1	47.2	66.1	64.3	72.4	77.2	71.9	44.8	61.8	92.8	89.7	28.0	3.2	25.3
TEA														
Ceylon	11.2	11.5	11.9	12.8	13.6	13.6	13.2	13.4	12.8	14.1	14.3	14.9	12.0	9.3
China (Taiwan)	0.6	0.9	0.8	0.9	1.3	0.6	0.9	1.0	1.4	0.8	0.8	1.4	1.3	0.8
India	13.2	17.0	15.5	18.8	16.8	13.6	19.5	19.2	24.9	18.4	7.5	18.7	20.5	24.6
Indonesia	0.7	3.3	2.7	2.4	3.4	2.4	2.9	2.6	3.3	3.4	2.5	3.1	3.2	3.2
Japan	0.3	0.7	0.8	1.1	1.4	1.2	0.9	0.9	1.0	0.8	0.4	1.1	1.2	1.5
Pakistan	1.2	1.8	0.9	1.0	0.8	0.4	0.8	0.8	1.6	0.6	—	0.1	0.3	0.8
HIDES & SKINS														
India[a] (net exports, *tons*)	1,066	1,325	615	478	424	366	276	—	386	—	2,170	...	...	...
Pakistan (*thousand pieces*)	869[c]	944	719	898	811	749	878	760	994	1,009	1,057	573	812	572
COPRA[b] & COCONUT OIL														
Ceylon	9.2	10.3	11.1	9.0	8.2	11.6	10.1	12.2	8.7	5.4	5.1	7.8	6.0	9.5
Indonesia (copra)	12.1[d]	27.2	17.4	15.6	14.8	11.8	13.1	16.4	18.9	23.2	14.3	25.6	37.3	49.5
Malaya, Federation of (coconut oil)	1.6	4.3	3.6	4.0	3.7	4.8	6.0	6.6	6.4	5.8	3.4	5.4	4.7	7.1
N. Borneo	0.3	0.9	0.6	0.7	1.4	1.8	3.0	4.2	3.1	2.9	2.9	4.1	...	...
Philippines	35.3	45.0	40.3	35.1	43.8	46.4	57.4	60.4	64.6	52.9	59.8	59.2	44.8	59.3
Singapore (coconut oil)	2.2	1.5	2.0	1.1	3.0	2.9	2.7	3.2	3.0	3.2	2.9	4.0	5.2	6.7
PALM OIL														
Indonesia	3.3	8.1	10.1	11.0	11.7	9.7	10.4	12.7	10.4	2.6	8.3	19.2	10.4	15.4
Malaya, Federation of	1.4	1.2	1.2	1.9	2.2	2.2	2.2	2.0	2.7	2.2	2.2	3.5	3.5	3.6
Singapore	2.6	2.6	2.7	2.2	2.1	2.3	2.4	1.7	3.3	2.1	2.0	2.1	1.5	1.3
GROUND NUTS[b] & OIL														
India	5.5	5.8	5.6	1.7	2.5	14.8	2.8	—	0.1	0.7	0.2	...	...	...
NATURAL RUBBER														
Brunei	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Burma	0.8	0.8	1.2	0.9	1.0	1.0	1.0	1.1	0.5	1.1	*1.0*	*1.0*	*1.0*	1.0
Cambodia	...	...	1.4	1.5	2.0	2.2	2.4	2.6	2.8	2.2	1.9	*2.7*	*3.5*	*3.7*
Ceylon	7.8	8.8	7.6	8.2	7.6	8.2	7.3	7.1	8.6	10.1	7.5	6.5	9.7	8.1
Indonesia	36.6	67.2	61.8	57.1	61.7	61.1	56.6	65.3	64.4	49.0	52.5	74.2	54.4	45.8
Malaya, Federation of	32.6	27.2	28.3	27.5	35.3	37.9	36.6	34.4	39.2	38.5	33.4	35.6	46.8	44.5
N. Borneo	1.7	1.8	1.6	1.4	1.4	1.7	1.7	1.8	1.7	1.7	1.6	1.6	1.8	1.7
Sarawak	3.4	3.6	2.7	2.0	1.9	3.3	3.5	3.2	3.3	3.6	3.6	3.2	3.0	2.9
Singapore	24.8	24.3	20.1	20.7	13.1	15.6	15.7	13.9	17.1	15.3	14.5	11.6	13.0	26.6
Thailand	8.1	9.2	8.3	8.1	9.9	11.0	11.3	9.0	14.0	13.5	9.0	9.1	13.6	9.7
Viet-Nam	...	4.5	5.3	5.0	4.6	5.2	5.3	6.1	5.5	7.8	4.0	5.8	*7.6*	*4.3*
COTTON, RAW														
India	8.0	2.3	4.4	3.8	2.3	7.9	5.9	2.4	2.9	4.0	8.0	...	...	...
Pakistan	13.6	18.3	20.4	23.6	11.8	14.0	10.9	7.1	5.1	19.7	8.1	*3.3*	*6.0*	...
COTTON YARN (*tons*)														
Hong Kong	...	1,732	1,300	1,190	1,172	1,228	1,183	949	1,032	1,545	1,283	1,095	1,365	1,048
Japan	458	1,025	1,117	801	1,117	991	1,032	824	978	1,319	1,316	1,328	1,067	796
Malaya including Singapore	22	167	119	113	54	9	44	139	6	11	9	1	11	20
COTTON PIECE GOODS (*million sq. metres*)														
Hong Kong	...	12.2[e]	‖10.1	9.3	11.3	11.5	9.8	13.7	11.4	13.8	12.8	14.2	15.2	12.2
India (*million metres*)	23.5	59.1	45.7	50.0	65.6	56.9	56.7	50.2	63.6	82.2	68.3	...	...	...
Japan	28.2	75.3	52.0	63.7	89.0	79.3	87.9	71.9	106.3	93.0	100.7	102.5	100.3	109.5
Malaya including Singapore	7.5[e]	‖14.5	9.6	8.0	2.7	5.0	4.5	3.9	2.7	6.9	3.6	3.6	5.0	3.8
JUTE														
Pakistan (raw)	28.1‡	88.7	70.0	81.7	74.3	81.8	71.5	40.8	65.0	107.5	32.8	*31.0*	*66.0*	...
India (bag and cloth)	78.4	67.1	60.0	60.3	67.8	73.6	67.9	71.2	78.0	68.1	54.4	76.1	57.8	75.7
HEMP, RAW														
Philippines	6.2	10.3	9.1	9.3	8.2	9.3	10.2	10.3	9.4	10.1	9.6	10.5	9.8	6.6
TIN CONCENTRATES (*tons*)														
Burma	155	125	118	83	52	79	71	*71*	*71*	*46*	*47*	*84*	*90*	*178*
Indonesia	2,753	2,604	2,929	2,771	2,874	2,689	2,638	2,732	3,212	2,034	2,044	2,512	2,589	2,196
Thailand	479	746	825	863	806	935	1,052	1,105	1,198	933	1,024	*1,168*	*1,067*	*1,321*
TIN METAL (*tons*)														
Malaya, Federation of	2,398	3,008	3,140	2,955	3,134	3,204	4,399	4,630	4,120	3,379	1,126	5,067	5,122	4,571
Singapore	1,595	2,489	2,286	2,274	2,816	2,821	1,806	1,675	1,903	2,919	1,806	1,100	1,136	1,224
PETROLEUM & PRODUCTS														
Brunei (crude oil)	224	415	423	406	398	433	469	470	472	459	...	...	...	...
Indonesia	321	506	618	800	824	789	877	819	1,054	755	1,022	1,115	1,203	1,129
Malaya including Singapore	82	163	204	225	235	268	239	174	175	259	208	165	206	237

GENERAL NOTE: For Federation of Malaya and Singapore: Trade between Singapore and Federation of Malaya is excluded.

a. Prior to 1955, years beginning 1 April.
b. In terms of oil equivalent.
c. Year beginning 1 April.
d. Excluding exports to Singapore from Indonesia.
e. Million metres.

10. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1953=100[a]

	1950	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
A. Unit Value														
BURMA														
Imports	189†	‖129†	115	100	93	89	82	80	78	*83*	...	...	...	...
Exports	62†	‖ 74†	94	100	77	62	62	59	61	*61*	*62*	*54*	...	...
CEYLON														
Imports:[b] General	86	102	110	100	88	89	99	90	89	95	105	103	102	97
Exports:[b] General	104	126	98	100	112	117	109	104	113	113	102	99	106	102
Tea	102	106	94	100	126	134	122	115	128	126	106	105	119	115
Rubber	100	165	114	100	88	101	98	94	93	94	91	90	93	83
All coconut products	114	134	83	100	94	79	79	79	83	91	91	84	98	83
Imports (Central Bank index)	84	101	108	100	92	86	90	91	90	96	99	95	96	92
Consumer goods	84	99	107	100	91	84	85	85	86	90	94	90	90	85
Capital goods	83	107	113	100	95	97	*107*	108	104	114	114	115	114	113
CHINA (Taiwan)														
Imports	...	...	111	100	108	111	106	104	109	108	113	109	120	...
Exports	...	...	113	100	105	110	105	103	107	105	118	125	120	...
INDIA‡														
Imports: General	...	...	109	100	97	95	‖[h] *97*	96	99	102	*105*	...	...	...
Food, drink and tobacco	...	...	99	100	85	88	‖ *90*	92	96	...	...	...	...	...
Raw materials and semi-manufactures	...	...	104	100	99	97	‖*100*	99	99	...	...	...	...	...
Manufactures	...	...	115	100	99	98	‖*100*	99	103	...	...	...	...	...
Exports: General	...	...	109	100	107	98	‖*102*	101	109	102	*101*	...	...	...
Food, drink and tobacco	...	...	94	100	122	105	‖*111*	112	125	...	...	...	...	...
Raw materials and semi-manufactures	...	...	100	100	99	90	‖*103*	106	111	...	...	...	...	...
Manufactures	...	...	120	100	99	96	‖ *93*	90	96	...	...	...	...	...
INDONESIA														
Imports	84	116	110	100	91	91	88	90	94	87	89	...	...	...
Exports	111	160	113	100	96	109	102	100	99	106	100	...	...	...
JAPAN[c]														
Imports	90	124	114	100	96	94	97	98	100	103	106	104	102	103
Exports	82	122	108	100	96	91	94	95	96	96	97	97	97	100
MALAYA including SINGAPORE[d]														
Imports	96	120	108	‖100	90	92	*91*	88	90	96	97	95	...	...
Exports	116	172	125	‖100	94	120	*110*	104	108	110	108	104	...	...
PAKISTAN[e]														
Imports	91	116	102	100	98	105	110	109	124	128	123	...	...	...
Exports	144	194	142	100	107	104	98	99	99	109	103	...	...	...
PHILIPPINES														
Imports[f]	94	106	105	100	96	96	97	97	96	97	100	102	101	100
Exports	97	104	82	100	89	81	83	82	84	84	84	83	85	82
THAILAND														
Exports:														
Effective price in baht	98	117	104	100	97	122	124	124	122	121	121	127	...	...
Price in dollars (*IMF index*)	88	104	102	100	93	88	81	81	80	79	79	82	...	...
VIET-NAM[g]														
Imports	71	75	81	100	101	‖ 95	90	98	92	92	99	101	102	103
Exports	72	90	88	100	94	‖ 99	92	88	88	99	96	91	98	103

10. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE *(Cont'd)*

1953=100[a]

	1950	1951	1952	1953	1954	1955	1956	1956		1957				
								III	IV	I	II	III	Oct	Nov
B. Quantum														
BURMA														
Imports	64†	‖ 69†	104	100	123	104	88	74	98	140	...	...	...	...
Exports	79†	‖113†	115	100	130	145	*165*	173	157	162	*165*	*165*	...	...
CEYLON														
Imports:[b] General	84	94	96	100	99	97	106	108	128	113	110	137	103	107
Exports:[b] General	92	93	97	100	103	109	104	115	101	111	92	112	109	98
Tea	89	91	94	100	108	108	104	109	129	122	115	126	101	99
Rubber	123	107	97	100	100	106	101	119	78	133	194	117	168	85
All coconut products	83	94	109	100	96	118	113	133	123	72	59	101	101	109
Imports (*Central Bank index*)	88	99	99	100	93	96	105	109	118	119	113	115	97	119
Consumer goods	89	95	98	100	89	95	106	111	126	113	105	113	101	119
Capital goods	85	109	104	100	103	104	102	103	91	140	139	123	79	119
CHINA (Taiwan)														
Imports (*ordinary and ICA*)	...	...	81	100	105	98	94	81	98	91	93	107	127	...
Exports	...	...	67	100	69	86	83	60	87	141	105	69	61	...
Food	...	...	65	100	68	85	81	56	83	143	107	65	56	...
INDIA‡							h							
Imports: General	...	...	108	100	118	125	‖*146*	147	148	156	*174*	...	...	...
Food, drink and tobacco	...	...	185	100	144	70	‖ *56*	48	50	...	...	...	...	...
Raw materials and semi-manufactures	...	...	100	100	105	99	‖*102*	100	104	...	...	...	...	...
Manufactures	...	...	88	100	115	159	‖*203*	209	208	...	...	...	...	...
Exports: General	...	...	100	100	105	115	‖*109*	105	114	121	*114*	...	...	...
Food, drink and tobacco	...	...	102	100	109	103	‖*117*	125	128	...	...	...	...	...
Raw materials and semi-manufactures	...	...	139	100	114	171	‖*123*	91	108	...	...	...	...	...
Manufactures	...	...	86	100	101	101	‖*102*	101	111	...	...	...	...	...
JAPAN[c]														
Imports: General	45	67	74	100	104	109	138	140	151	171	200	170	149	129
Foods	56	77	93	100	117	117	107	100	110	84	118	101	117	92
Raw materials	48	68	71	100	97	106	144	153	154	179	186	148	127	116
Mineral fuels	25	51	65	100	100	106	133	131	146	169	207	191	195	194
Chemicals	12	49	57	100	93	146	202	207	229	224	272	213	196	177
Machinery	5	42	54	100	113	93	126	116	137	168	206	203	221	104
Exports: General	78	87	92	100	133	174	208	205	237	215	218	249	219	221
Foods	40	51	78	100	93	105	136	133	150	115	115	157	146	160
Chemicals	34	45	55	100	126	162	107	206	191	253	293	286	238	200
Manufactured goods	81	89	94	100	140	186	222	219	255	265	240	269	236	236
Textiles	100	100	86	100	149	179	204	191	242	208	222	255	246	239
Metals	113	120	169	100	148	226	165	184	149	136	127	140	156	153
Machinery	51	54	64	100	112	157	290	265	383	355	341	396	231	266
MALAYA including SINGAPORE[d]														
Imports	99	131	116	‖100	107	128	140	147	143	144	135	149	...	...
Exports	121	128	109	‖100	110	118	126	133	134	126	122	135	...	...
PHILIPPINES														
Imports[f]	80	100	90	100	111	125	123	129	131	139	161	147	150	150
Exports	86	96	107	100	111	121	138	134	142	144	131	124	89	129
THAILAND														
Exports	114	112	100	100	87	108	112	98	133	134	131	*117*	...	...
VIET-NAM[g]														
Imports	72	75	103	100	113	‖ 90	77	70	77	86	96	103	95	84
Exports	111	153	123	100	113	‖132	85	116	91	121	157	174	162	105
C. Terms of trade														
Percentage of unit value index of exports to unit value index of imports.														
BURMA	33†	‖ 57†	81	100	83	70	76	74	78	*73*	...	...	...	...
CEYLON	120	124	89	100	127	132	110	116	127	120	98	96	...	...
CHINA (Taiwan)	...	...	102	100	97	99	99	100	98	96	104	114	100	...
INDIA‡	...	...	100	100	110	103	‖106[h]	105	110	100	*96*	...	...	...
INDONESIA	132	138	103	100	105	120	116	112	105	122	113	...	...	...
JAPAN	92	98	94	100	100	96	97	97	96	93	91	93	94	97
MALAYA including SINGAPORE	120	143	116	‖100	104	130	121	118	120	115	111	109	...	...
PAKISTAN	158	167	139	100	109	99	89	91	80	85	84	...	...	...
PHILIPPINES	103	98	78	100	93	85	85	84	87	86	84	81	84	81
VIET-NAM[g]	102	120	109	100	94	‖106	101	90	96	108	97	90	96	101

a. Original base: *Burma*, Apr 1936-Mar 1941 for the period prior to 1953, 1952 since 1953; *China*, 1952; *Ceylon*, 1948; *India*, Apr 1952/Mar 1953; *Indonesia*, 1950; *Japan*, 1950; *Malaya*, 1938 for period prior to 1953, 1952 since 1953; *Pakistan*, Apr 1948/Mar 1949; *Philippines*, 1955; *Viet-Nam*, 1949.

b. All trade indexes since 1950 except the annual import price index have been computed on a fixed base (1948) weights method. The annual import price index has been computed by using moving current weights on 1948 base.

c. Indexes compiled by Ministry of Finance. The commodity groups are abridged titles of selected SITC sections and divisions.

d. Figures from 1953, though linked to previous figures, have different treatment in imports and exports of petroleum products.

e. Imports excluding land trade. Index in terms of U.S.$.

f. Based on f.o.b. import prices.

g. See footnote g to table 5.

h. Calendar year from 1956.

11. INDEX NUMBERS OF WHOLESALE PRICES

1953=100[a]

	1951	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
BURMA													
All agricultural produce	121	103	100	100	96	99	101	103	100	107	118	124	122
Cereals	112	107	100	101	107	103	109	103	95	102	110	111	109
Non-food agricultural produce	148	112	100	114	107	103	99	108	113	122	125	139	136
CHINA (Taipei)													
General index	75	92	100	102	117	132	130	138	141	141	140	142	143
Food	63	78	100	105	114	123	120	130	130	132	135	140	142
Apparel	89	107	100	94	110	106	101	105	107	106	102	104	104
Fuel and light	73	89	100	106	116	142	144	150	164	167	166	168	168
Metals and electrical materials	84	104	100	102	158	190	185	199	208	199	190	192	194
Building materials	62	94	100	105	115	153	175	173	171	170	159	156	152
Manufactured products	85	91	100	104	120	143	143	153	157	165	164	161	...
Industrial materials	80	95	100	100	116	138	136	153	158	167	165	161	...
INDIA													
General index	112	98	100	98	90	102	106	108	107	109	112	110	110
Food articles	108	94	100	94	80	98	102	107	105	110	114	108	110
Industrial raw materials	132	99	100	97	89	106	109	111	113	115	116	116	116
Semi-manufactured articles	106	97	100	100	94	109	113	116	115	114	115	114	114
Manufactured goods	108	103	100	102	102	104	106	106	105	106	107	107	107
INDONESIA (Djakarta) (imported goods)													
All articles	99	94	100	109	145	135	133	138	142	148	163	...	...
Provisions	68	84	100	110	144	147	143	156	161	165	182	...	...
Textile goods	109	89	100	110	169	118	114	116	117	123	140	...	...
Chemicals	99	90	100	109	151	137	136	129	126	127	142	...	...
Metals	103	105	100	98	115	135	137	149	157	164	173	...	...
JAPAN													
General index	97	100	100	99	98	102	103	105	106	106	104	104	104
Edible farm products	84	93	100	112	112	109	109	108	109	111	110	116	117
Other foodstuffs	99	103	100	106	103	101	101	103	104	104	104	104	104
Textiles	126	101	100	92	87	88	87	88	87	83	80	81	80
Chemicals	102	109	100	93	90	94	94	94	95	96	95	93	93
Metal and machinery	109	105	100	94	97	116	120	125	125	123	117	115	113
Building materials	77	85	100	104	96	104	108	111	115	117	114	114	114
Fuel	79	100	100	96	101	105	104	109	112	111	112	113	117
Producer goods	97	100	100	96	95	104	105	108	109	109	106	105	104
Consumer goods	96	100	100	103	101	99	99	101	102	101	101	102	103
KOREA (Seoul, *Aug-Dec 1953=100*)													
General index	...	...	100	124	225	303	343	326	360	377	373	339	322
Food grains	...	...	100	97	234	366	459	396	416	486	459	363	330
Textile raw materials	...	...	100	140	235	271	280	306	310	305	312	340	341
Textiles	...	...	100	132	165	168	175	186	173	162	161	169	166
Building materials	...	...	100	154	236	254	255	252	270	292	285	289	301
Fertilizers	...	...	100	100	175	608	639	639	639	639	639	639	639
PHILIPPINES (Manila)													
General index	110	101	100	95	92	95	96	97	97	97	101	102	101
Food	110	107	100	97	95	96	96	97	99	98	105	107	105
Crude materials	101	81	100	88	84	90	89	91	91	90	93	94	95
Mineral fuels	99	105	100	97	95	97	99	100	104	105	106	106	106
Chemicals	120	103	100	95	88	88	88	88	89	92	95	94	94
Manufactured goods	137	109	100	96	92	100	101	102	103	103	104	104	103
Domestic products	108	100	100	94	92	94	95	96	96	96	100	101	101
Exported products	103	82	100	88	81	84	84	85	86	87	90	90	91
Imported products	119	105	100	97	92	100	101	103	104	105	107	107	106
THAILAND (Bangkok)													
General index	101	107	100	98	114	117	121	116	115	118	121	116	115
Agricultural produce[b]	135	120	100	98	136	130	134	128	124	129	138	129	127
Foodstuff[b]	82	98	100	96	108	116	121	113	113	116	119	112	112
Clothes	143	131	100	99	102	101	101	101	101	101	101	101	101
Fuel	98	101	100	103	108	109	109	109	109	109	109	109	109
Metal	140	135	100	97	126	139	140	149	151	148	135	127	129
Construction materials	90	97	100	103	104	103	103	105	105	105	104	104	104
VIET-NAM (Saigon-Cholon)													
General index	77	87	100	106	117	123	129	115	114	117	131	131	132
Rice and paddy	57	90	100	83	99	113	120	90	94	90	120	122	125
Other food products	68	77	100	117	117	128	136	130	131	139	141	129	135
Fuel and mineral products	82	83	100	120	121	131	133	135	134	140	143	143	144
Raw materials	121	92	100	117	145	132	131	135	131	135	144	150	151
Semi-finished products	82	87	100	120	123	131	134	137	132	139	139	143	138
Manufactured products	99	93	100	122	126	123	129	118	104	115	115	121	118
Local products	75	89	100	100	116	123	129	111	112	111	130	130	131
Imported products	84	83	100	121	121	124	127	126	121	132	134	136	134

a. Original base: *Burma*, 1938-40; *China*, Jan-Jun 1937 except indexes of manufactured products and industrial materials for which the base is 1951: *India*, Sep 1938/Aug 1939; *Indonesia*, 1938; *Japan*, 1948 for 1951, 1952 since 1952; *Korea*, 1947; *Philippines*, 1955; *Thailand*, Apr 1938/Mar 1939; *Viet-Nam*, 1949.

b. Agricultural produce including paddy, rice meal, copra, rubber, etc.; foodstuff including milled rice, pork, banana, etc.

12. PRICE QUOTATIONS OF IMPORTANT EXPORT COMMODITIES

	Unit	1950	1951	1952	1953	1954	1955	1956	1956		1957				
									III	IV	I	II	III	Oct	Nov
RICE															
Burma	*£ per L. ton*	40.0	45.0	52.5	60.0	49.0	41.1	35.6	36.0	34.0	36.4	34.3	33.0	33.0	33.0
Thailand	*£ per L. ton*	45.0	52.4	56.7	63.4	57.3	50.5	48.9	52.1	47.5	45.8	46.3	55.3	52.0	52.0
SUGAR															
China (Taiwan)	*US$ per ton*	130.2	171.6	151.1	98.2	104.9	104.6	104.3	102.3	109.0	141.7	162.4	134.3	128.7	...
India	*Rs. per maund.*	...	30.7	30.4	28.4	31.1	28.1	27.9	28.4	27.6	27.9	30.3	32.9	32.4	32.2
Indonesia	*Rp. per 100kg.*	291	294	286	285	308	306	302	289	300	296	298	400	403	403
Philippines	*Peso per picul*	14.1	13.6	14.3	15.2	14.9	13.8	14.0	14.2	14.2	14.1	15.2	15.2	14.4	14.3
TEA															
Ceylon	*Rs. per lb.*	2.52	2.62	2.30	2.46	3.11	3.30	3.00	2.82	3.18	3.11	2.61	2.57	2.93	2.83
China (Taiwan)	*NT$ per kg.*	...	8.27	8.71	9.64	11.25	11.49	11.96	10.28	10.64	9.38	9.39	10.30	11.52	10.55
India	*Rs. per lb.*	...	1.88	1.27	1.64	2.90	2.41	1.90	2.19	2.27	2.09	2.10	1.95	1.69	1.74
Indonesia	*Rp. per 100kg.*	693	701	912	1,037	1,469	1,459	*1,072*	*1,013*	*1,300*	*1,126*	*1,084*	*1,072*	...	...
PEPPER															
Cambodia	*Ri. per 63.42 kg.*	...	...	4,988	5,733	4,771	3,507	3,983	4,096	5,125	4,563	4,384	5,277	...	...
India	*Rs. per maund*	...	381.9	337.7	285.9	162.4	131.6	110.9	115.5	103.8	90.4	71.1	68.8	70.0	84.0
Indonesia	*Rp. per 100kg.*	1,969	2,565	3,031	2,583	1,478	745	*551*	*502*	*514*	*583*	*480*	*463*	...	...
Sarawak	*M$ per picul*	439.4	464.7	447.9	313.7	159.6	109.6	70.2	71.4		69.7		...	...	...
Singapore	*M$ per picul*	573.6	663.6	507.4	395.3	204.8	135.6	94.7	95.4	87.3	76.7	75.8	73.3	67.1	64.5
HIDES															
Pakistan	*Rs. per 28 lbs.*	25.57	32.15	24.42	21.61	25.54	31.72	29.49	27.48	28.00	29.46	28.08	26.93	28.75	31.80
SKINS															
India	*Rs. per 100 pcs.*	...	523.2	266.8	335.0	320.0	287.6	300.4	300.0	315.8	350.0	350.0	350.0	350.0	350.0
Pakistan	*Rs. per 100 pcs.*	...	...	...	178.7	208.2	211.9	254.6	261.1	265.0	274.3	290.8	294.4	290.0	292.0
GROUNDNUTS															
India	*Rs. per maund*	...	31.56	22.94	29.11	21.36	15.94	24.42	26.18	24.93	25.31	25.20	25.65	27.50	25.26
COPRA															
Ceylon	*Rs. per candy*	301.2	349.6	203.8	267.2	246.8	209.5	212.2	207.6	224.8	258.4	244.2	233.2	237.6	232.6
Indonesia	*Rp. per 100kg.*	144	189	169	219	194	193	178	164	168	180	145	146	...	...
Malaya (Fed. of)	*M$ per picul*	37.74	44.02	28.82	35.30	30.68	26.38	25.70	24.32	25.21	25.48	26.00	26.50	...	...
Philippines	*peso per 100kg.*	35.98	36.16	24.63	36.62	30.76	27.12	26.02	25.11	25.86	26.18	26.71	29.17	30.58	31.87
Singapore	*M$ per picul*	39.29	43.91	29.09	37.59	32.55	28.14	27.45	25.91	27.24	28.87	26.87	25.95	25.69	26.81
RUBBER, NATURAL															
Burma	*K. per lb.*	0.36†	1.20†	1.10†	1.10	0.81	1.29	1.58	1.24	*1.22*	*1.32*	*1.35*	*1.29*	*1.15*	...
Cambodia	*Ri. per kg.*	...	...	...	...	13.98	18.75	18.26	17.39	17.76	16.20	15.52	16.89	...	...
Ceylon	*Rs. per lb.*	1.53	2.53	1.76	1.54	1.36	1.56	1.50	1.46	1.43	1.50	1.40	1.40	1.43	1.28
Indonesia	*Rp. per 100kg.*	538	821	853	565	545	888	821	807	893	835	745	733	...	...
Singapore	*M Cents per lb.*	108.18	169.55	96.07	67.44	67.30	114.16	96.76	94.82	103.24	92.54	91.44	89.96	83.51	77.62
Thailand	*Baht per kg.*	6.66	13.18	10.14	7.30	8.17	13.59	11.25	13.14	13.97	13.49	13.11	13.11	12.32	11.35
TIMBER															
Burma	*K. per cu. ton*	...	952	976	929	876	921	843	975	901	989	...	...	...	...
Malaya, Fed. of	*M$ per 50 cu.ft.*	141.1	167.0	150.3	148.2	149.4	156.6	158.2	157.4	143.6	142.0	140.5	148.4	143.4	141.7
North Borneo	*M$ per 50 cu.ft.*	85.5	124.4	133.9	118.3	82.9	77.9	77.5	77.2	75.6	71.3	69.7	67.6	...	...
Philippines	*Peso per 1,000 bd.ft.*	148	130	116	109	117	114	112	108	106	105	107	107	...	...
Thailand	*Baht per cu. m.*	1,643	1,724	1,933	2,436	3,023	3,614	4,098	*4,422*	4,090	4,340	4,412	*4,341*	...	4,166
WOOL, RAW															
Pakistan	*Rs. per lb.*	1.65	2.71	1.71	2.09	2.25	2.15	2.70	2.55	2.84	2.72	3.17	...	...	...
COTTON, RAW															
Burma	*K. per lb.*	1.05†	1.54†	1.75†	1.08	1.34	1.33	1.00	1.03	1.12	1.10	...	...	...	...
India	*Rs. per 784 lbs.*	...	786.7	716.0	710.0	734.0	635.8	786.7	828.1	754.0	769.2	814.6	...	...	771.0
Pakistan	*Rs. per bale*	554.2	845.7	629.7	405.2	443.5	443.6	503.7	540.6	480.4	544.6	521.8	...	...	...

12. PRICE QUOTATIONS OF IMPORTANT EXPORT COMMODITIES *(Cont'd)*

	Unit	1950	1951	1952	1953	1954	1955	1956	1956		1957				
									III	IV	I	II	III	Oct	Nov
JUTE, RAW															
Pakistan	*Rs. per bale*	166.2	209.9	153.2	104.9	110.8	127.4	161.0	159.0	165.5	182.1	170.6	...	...	...
HEMP, RAW															
Philippines	*Pesos per picul*	53.24	62.66	38.74	38.56	27.46	30.14	36.35	34.51	38.94	44.08	44.45	46.85	46.47	44.67
TIN															
Singapore	*M$ per picul*	366.9	526.6	480.1	363.9	353.6	365.5	387.0	384.5	401.4	381.8	385.5	370.8	358.6	347.4
GROUND NUT OIL															
India	*Rs. per quarter*	...	24.51	17.32	22.34	15.38	11.92	17.82	18.18	18.40	18.65	19.73	19.28	18.70	19.52
PALM OIL															
Indonesia	*Rp.per 100kg.*	177	229	228	214	204	220	233	244	227	236	235	233	...	...
COCONUT OIL															
Ceylon	*Rs. per L. ton*	1,682	2,068	1,247	1,519	2,454	1,156	1,168	1,168	1,208	1,338	1,324	1,203	1,244	1,882
Philippines	*Peso per kg.*	0.68	0.70	0.46	0.69	0.57	0.48	0.45	0.44	0.45	0.44	0.44	0.49	0.51	0.53
Singapore	*M$ per picul*	66	79	48	59	55	44	44	43	45	47	45	45	45	46
RAYON YARN															
Japan	*Yen per lb.*	254	374	245	229	209	173	172	174	174	176	176	171	162	160
COTTON PIECE GOODS															
India	*Rs. per lb.*	...	1.92	1.88	1.89	1.88	1.80	1.94	1.98	1.98	1.98	2.05	2.05	2.05	2.05
Japan	*Yen per yd.*	72	96	63	60	57	57	50	53	52	51	49	47	46	44
JUTE MANUFACTURES															
India (bag)	*Rs.per 100 bags*	155.8	232.2	138.0	98.8	111.8	115.6	111.2	107.4	118.0	114.1	114.6	115.5	119.0	115.0
India (hessian)	*Rs.per 100 yd.*	57.0	84.2	54.5	46.1	47.2	45.0	42.9	42.0	46.7	44.8	44.5	44.7	44.6	43.7

SPECIFICATIONS:

RICE:
Burma—Average of export contract prices f.o.b. white rice, No. 1 small mills special ngasein.
Thailand—Export price f.o.b. Bangkok, white rice 5% broken; prior to 1955 export contract price f.o.b.

SUGAR:
China (Taiwan)—Monthly average price of all kinds of sugar f.o.b. Taiwan ports.
India—Wholesale prices, D. 28 Kanpur.
Indonesia—Domestic wholesale prices of white sugar, Djakarta.
Philippines—Wholesale prices of centrifugal sugar, Manila.

TEA:
Ceylon—Average prices for all grade f.o.b.
China (Taiwan)—Unit value of export of black tea. For 1951, average of Jan.-Jun.
India—Wholesale prices of tea for export, medium B.P., Calcutta.
Indonesia—Export prices f.o.b. for B.O.P., O.P., P.S. and B.P.

PEPPER:
Cambodia—Wholesale prices, black ex-store.
India—Wholesale prices, ungarbled (alleppey) Calcutta.
Indonesia—Export prices, f.o.b. black Lampong.
Singapore—Wholesale prices, black Lampong.
Sarawak—Unit value of exports of black pepper.

HIDES:
Pakistan—Average wholesale prices of Karachi unframed arsenicated mixed 12/40 lbs. (Buffalo), Karachi.

SKINS:
India—Wholesale prices of raw goat skin, average quality, Calcutta.
Pakistan—Average wholesale prices of sheep skin, Papra (Dewooled all primes), Karachi.

GROUNDNUTS:
India—Wholesale prices of ground nuts, machine shelled, Cuddalore.

COPRA:
Ceylon—f.o.b. prices for all grades.
Indonesia—Export prices f.o.b. mixed. Prior to August 1951 "f.m.s. and mixed".
Malaya, Fed. of—Wholesale prices, sundried.
Philippines—Wholesale prices, resecada, Manila.
Singapore—Wholesale prices, sundried.

RUBBER, NATURAL:
Burma—Unit value of export.
Cambodia—Unit value of export.
Ceylon—f.o.b. prices of all grade of rubber excluding later.
Indonesia—Export price f.o.b. R.S.S. 1 and Crepe 1.

RUBBER, NATURAL: (cont'd.)
Singapore—Buyers' midday prices, f.o.b. Singapore No. 1 RSS in bales. Since 1952 average of daily prices.
Thailand—Unit value of exports of rubber smoked sheet. Annual figures relate to whole kingdom, monthly & quarterly figures relate to Port of Bangkok only.

TIMBER:
Burma—Unit value of teak exports.
Malaya, Fed. of—Unit value of net exports of timber.
North Borneo—Unit value of saw logs for 1950-1954; saw logs and veneer logs, non-coniferous from 1955 to date.
Philippines—Unit value of exports of logs and lumber.
Thailand—Unit value of exports of teak board. Annual figures relate to whole kingdom, monthly and quarterly figures relate to Port of Bangkok only.

WOOL, RAW:
Pakistan—Unit value of exports.

COTTON, RAW:
Burma—Unit value of exports.
India—Wholesale prices, Jarilla M.G.F., Bombay.
Pakistan—Unit value of export.

JUTE, RAW:
Pakistan—Unit value of export.

HEMP, RAW:
Philippines—Wholesale prices, unmanufactured abaca, Manila.

TIN:
Singapore—Export price ex-works.

GROUND-NUT OIL:
India—Wholesale prices, naked, Bombay.

PALM OIL:
Indonesia—Export price f.o.b.

COCONUT OIL:
Ceylon—f.o.b. prices for all grades.
Philippines—Wholesale prices, Manila.
Singapore—f.o.b. Singapore.

RAYON YARN:
Japan—Export price f.o.b. viscose, 120 denier hank, 1st grade.

COTTON PIECE GOODS:
India—Wholesale prices of grey standard shirting 35" X 28 yds. Bombay.
Japan—Export price f.o.b., heavy shirting s/2003 grey 38".

JUTE MANUFACTURES:
India—Export prices of bags, B-twills 2¼ lbs. 44 X 26½" f.a.s. Calcutta.
India—Export prices of hessian cloth 10½ oz. 40" f.a.s. Calcutta.

13. INDEX NUMBERS OF PRICES RECEIVED AND PAID BY FARMERS

1953 = 100[a]

	1951	1952	1953	1954	1955	1956	1956		1957				
							III	IV	I	II	III	Oct	Nov
CHINA (Taiwan)													
Prices received by farmers (R)	51	74	100	92	102	110	102	119	118	122	121	...	...
Prices paid by farmers (P)	54	73	100	93	101	111	103	115	117	118	117	...	...
Cultivation cost	56	73	100	93	106	113	107	116	118	119	121	...	...
Domestic expenditure	53	73	100	92	100	109	102	114	117	118	116	...	...
Ratio (R) ÷ (P)	95	102	100	99	100	99	99	103	101	103	103	...	...
INDIA (Punjab)													
Prices received by farmers (R)	96	94	100	94	78	97	102	107	110	104	...	...	...
Prices paid by farmers (P)	107	102	100	98	86	96	96	100	105	104	...	...	...
Cultivation cost	117	105	100	92	79	91	91	93	98	94	...	...	...
Domestic expenditure	101	101	100	102	91	99	98	106	110	110	...	...	...
Ratio (R) ÷ (P)	90	92	100	96	90	101	106	107	104	100	...	...	...
JAPAN[b] (*Apr 1953-Mar 1954=100*)													
Prices received by farmers (R)	81‡	85‡	100‡	98‡	95‡	98	99	97	98	99	99	99	99
Prices paid by farmers (P)	94‡	98‡	100‡	103‡	101‡	102	101	103	104	105	105	106	105
Cultivation cost	92‡	99‡	100‡	102‡	98‡	98	98	99	101	103	103	103	103
Domestic expenditure	95‡	97‡	100‡	103‡	103‡	103	103	104	106	106	106	107	106
Ratio (R) ÷ (P)	86‡	87‡	100‡	96‡	94‡	97	98	94	94	94	95	94	94

a. Original base: *China*, 1952, *India*, Sep 1938/Aug 1939; *Japan*, Apr 1951/Mar 1952.

b. Index numbers of commodity prices in 473 towns or villages. Annual figures relate to fiscal year April to March, except 1956 which relates to calendar year.

14. INDEX NUMBERS OF COST OF LIVING

1953 = 100[a]

A. All items

	1951	1952	1953	1954	1955	1956	1956		1957				
							III	IV	I	II	III	Oct	Nov
BURMA: Rangoon	107	103	100	96	98	111	114	112	112	119	127	116	118
CAMBODIA: Phnom-Penh (*1952=100*)	89	100	...	139	155	164	167	160	159	167	164	163	170
CEYLON: Colombo	99	‖ 98	100	100	99	99	98	99	99	101	101	102	104
CHINA: Taipei	66	84	100	102	112	124	121	131	131	130	136	135	134
HONG KONG	98	99	100	98	95	97	101	101	100	97	98	101	95
INDIA (*interim index*)	98	97	100	95	90	99	101	103	101	103	105	106	106
JAPAN (*urban*)	89	94	100	106	105	106	106	107	108	109	111	110	109
KOREA, southern	28	69	100	135	229	285	307	314	368	371	346	315	307
LAOS: Vientiane	53	74	100	123	125	141	146	148	157	*158*	...	...	...
MALAYA, Federation of	101	103	100	94	91	92	92	93	96	96	96	96	96
PAKISTAN: Karachi	88	90	100	98	94	97	99	99	102	105	108	110	110
Narayanganj	94	101	100	84	85	99	102	96	99	104	106	104	106
PHILIPPINES: Manila	111	104	100	99	98	100	101	104	101	100	103	105	106
SINGAPORE	97	101	100	93	91	92	92	93	94	94	94	93	...
THAILAND: Bangkok	82	91	100	100	105	111	112	115	115	117	122	115	116
VIET-NAM: Saigon	64	79	100	113	124	139	147	134	130	134	136	131	127

B. Food

	1951	1952	1953	1954	1955	1956	1956		1957				
							III	IV	I	II	III	Oct	Nov
BURMA: Rangoon	108	104	100	97	96	106	110	105	107	118	133	118	119
CAMBODIA: Phnom-Penh (*1952=100*)	85	100	...	137	159	173	179	169	166	176	172	170	179
CEYLON: Colombo	96	‖ 94	100	100	99	97	95	98	97	99	98	100	102
CHINA: Taipei	62	78	100	102	108	126	121	139	133	130	145	143	139
HONG KONG	94	95	100	95	90	95	102	101	98	95	97	102	91
INDIA (*interim index*)	96	94	100	93	85	96	100	101	99	101	105	104	105
INDONESIA: Djakarta	89	94	100	106	141	131	155	161	156	158	176	196	211
JAPAN (*urban*)	91	94	100	108	105	104	103	104	105	107	110	109	106
KOREA, southern	27	78	100	117	207	271	314	299	339	366	339	290	274
LAOS: Vientiane	47	70	100	122	118	122	123	125	137	*129*	...	...	...
MALAYA, Federation of	101	103	100	90	87	88	87	89	92	93	93	93	93
PAKISTAN: Karachi	89	93	100	98	95	100	104	103	107	111	116	117	117
Narayanganj	93	103	100	79	80	97	101	94	97	103	105	103	103
PHILIPPINES: Manila	111	106	100	99	98	101	103	105	100	99	107	112	113
SINGAPORE	100	101	100	91	88	89	89	89	92	91	91	89	...
THAILAND: Bangkok	81	91	100	98	103	108	110	113	113	116	121	112	114
VIET-NAM: Saigon	59	80	100	107	122	140	151	134	128	131	134	126	122

GENERAL NOTES: All figures refer to working class expenditures except for the following countries: *China*, public servants; *Hong Kong*, clerical and technical workers; *Indonesia*, government employee; *Japan*, urban population; *Laos*, middle class; *Singapore*, low income clerks and labourers; *Thailand*, low salaried workers and civil servants.

a. Original base: *Burma*, 1941; *Cambodia*, 1949; *Ceylon*, Nov. 1942 for 1951, 1952 since 1952; *China*, Jan-Jun 1937; *Hong Kong*, Mar 1947; *India*, 1949; *Indonesia*, Jul 1938; *Japan*, 1951; *Korea*, 1947; *Laos*, Dec 1948; *Malaya*, Jan 1949; *Pakistan*, Apr 1948/Mar 1949 *Philippines*, 1955; *Singapore*, 1939; *Thailand*, Apr 1938/Mar 1939; *Viet-Nam*, 1949.

15. EMPLOYMENT AND WAGES

Base for index Numbers, 1953[a]

	1948	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	66	98	100	102	106	107	106	107	106	107	108	108	109
Government workers (Colombo)[c]	86	99	100	100	104	106	106	106	106	106	106	106	125
Index of real wages													
Tea and rubber estate workers[b]	75	101	100	103	107	108	108	108	107	106	107	106	106
Government workers (Colombo)[c]	102	108	100	101	106	107	107	106	106	104	104	103	120
CHINA (Taiwan)													
Employment[d] (*thousand*)													
Mining	79	56	57	53	55	66	63	66	66	68	71	75	...
Manufacturing	114	208	238	258	258	260	259	260	260	260	261	261	...
Transport	...	...	55	64	66	68	68	68	67	69	69	69	...
Index of earnings[e]													
Mining	...	98	100	105	131	174	176	199	210	223	230	244	...
Manufacturing	...	80	100	111	125	141	137	149	157	152	151	160	...
Index of real earnings[e]													
Mining	...	111	100	110	124	150	157	163	172	181	186	195	...
Manufacturing	...	90	100	117	119	122	123	122	129	123	122	128	...
INDIA													
Employment[f] (*thousand*)													
Factories under Factory Act	2,360	2,567	2,528	2,590	2,690	2,765	...	...	...	...	...	...	...
Cotton mills	644	741	744	741	758	807	826	826	827	809	818	800	800
Coal mines[g]	308	342	338	332	341	333	329	333	353	345	*340*	...	...
Central government[h]													
Office workers	...	209	213	221	251	281	276	281	286	291	296	297	...
Manual workers	...	406	403	412	396	388	391	388	390	384	384	385	...
Wages or earnings (*rupees*)													
Cotton mills[i] (Bombay, *monthly*)	...	89.3	96.0	96.3	94.8	98.8	102.2	100.8	100.9	101.7	107.2	106.4	...
Coal mines[j] (Jahria, *weekly*)	2.4[t]	13.0	13.2	14.2	14.2	17.4	20.1	20.6	20.4	20.4	*20.7*	...	...
JAPAN													
Employment[k] (*million*)													
All industries	34.6	37.3	39.6	40.1	41.5	42.3	43.0	43.0	40.9	43.9	44.0	44.8	44.3
Agriculture, forestry & hunting	16.4	16.4	17.2	16.9	17.2	16.8	17.9	16.7	13.9	17.6	17.2	18.1	17.3
Mining	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.5
Manufacturing	6.3	6.5	6.8	7.1	7.2	7.7	7.7	7.6	8.1	7.9	7.9	8.2	8.4
Construction	...	1.5	1.6	1.7	1.8	1.8	1.8	1.9	2.2	1.9	2.0	1.8	1.7
Commerce	...	5.4	5.8	6.4	6.8	7.0	7.0	7.3	7.4	7.3	7.4	7.2	7.3
Transportation and communication and other public utilities	...	1.9	2.0	1.9	2.0	2.1	2.0	2.2	2.2	2.1	2.2	2.1	2.2
Services (non-government)	...	3.4	3.7	3.8	4.3	4.6	4.3	5.0	4.9	4.7	4.9	5.0	5.2
Index of earnings[m]													
Mining	33	89	100	102	110	122	125	144	112	132	155	120	127
Manufacturing	28	88	100	106	112	124	124	149	111	124	132	110	112
Index of real earnings[m]													
Mining	53	94	100	96	105	115	119	135	103	121	141	108	116
Manufacturing	45	94	100	100	106	117	117	140	102	113	119	99	102
Daily money wages of agricultural labour, male (*yen*)	185	230	257	285	301	308	313	319	295	329	331	342	350
KOREA, southern													
Index of earnings in manufacturing and construction industries[en] (Seoul)	1	61	100	176	297	357	363	374	...	...	...	...	...
PHILIPPINES													
Index of employment[p]													
Mining	...	108	100	77	123	123	123	116	121	121	116	...	...
Manufacturing	...	91	100	106	151	152	145	152	166	158	158	...	...
Index of wages[q] (Manila)													
Skilled	101	98	100	101	101	101	102	100	100	100	101	101	101
Unskilled	92	97	100	99	102	103	104	104	103	102	102	101	102
Index of real wages[q] (Manila)													
Skilled	80	93	100	105	106	104	104	101	103	104	101	98	98
Unskilled	82	93	100	103	107	106	106	105	106	105	102	99	99
THAILAND													
Employment in mining[f] (*thousand*)	10.4	14.9	16.1	14.7	*15.6*	*16.6*	*17.0*	*17.3*	*17.1*	*17.5*	*17.7*	*17.8*	*17.5*
VIET-NAM													
Daily wages[s] (Saigon-Cholon, *piastre*)													
Skilled	22.0[u]	41.2	55.6	73.2	86.7	89.4	...	89.4	...	...	...	...	...
Unskilled (male)	15.4[u]	22.8	31.8	37.4	47.8	56.0	...	56.0	...	...	...	...	...

a. Original bases for wages or earnings index: *Ceylon*, 1939; *China* June 1949; *Japan*, 1951; *southern Korea*, 1936; *Philippines*, 1955.
b. Daily rates of minimum wages (basic wages plus special allowance).
c. Monthly wage rates for unskilled male workers in government employment.
d. Staff and permanent workers at end of period.
e. Daily average of wages and allowances including payment in kind.
f. Daily averages.
g. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.
h. Central Government establishments excluding railways. Office workers comprise administrative, executive and clerical staff; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.
i. Monthly minimum basic wages plus dearness allowance.
j. Average weekly earnings (basic wages plus dearness allowance and other payments) of underground miners and loaders in coal mines.
k. For 1948, average for calendar week beginning first Sunday of each month. From 1952, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.
m. Average monthly cash earnings per permanent worker.
n. Excluding looms.
p. Comprises all full and part-time employees of 600 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.
q. Daily average wage rates of all classes of workers.
s. Last day of the period.
t. Average daily earnings in December.
u. 1949.

16. CURRENCY AND BANKING

End of period

	1948	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
BURMA (*million kyats*)													
Money supply	499	599	753	842	1,116	1,343	1,358	1,343	1,438	1,337	1,211	1,175	1,118
Currency: net active	335	416	500	567	725	830	857	830	977	894	799	761	742
Deposit money	164	183	253	275	391	513	501	513	461	443	412	414	376
Private time deposits	27	46	52	77	122	103[r]	108	103[r]	101[r]	106[r]	108	104	107
Government deposits	53	567	498	301	253	248	338	248	292	204	207	247	220
Union Bank of Burma	53	567	464	183	131	117	187	117	70	46	63	58	36
Commercial Bank[a]	...	...	34	118	122	131	151	131	222	158	144	189	184
Bank clearings △	149	181	234	241	283	333	370	312	399	352	...	...	...
Foreign assets	406	989	1,058	643	540	652	726	652	598	569	501	462	453
Union Bank of Burma[b]	358	940	991	555	415	535	588	535	445	450	431	395	389
Commercial banks	48	49	67	88	124	117	138	117	153	119	70	67	64
Claims on private sector[r] (commercial banks)	73	178	161	212	216	250	236	250	375	406	361	386	357
Claims on government[r]	147	184	213	543	941	1,020	1,084	1,020	1,179[r]	1,050[r]	991	1,010	976
Union Bank of Burma[c]	139	162	151	388	652	662	775	662	838	802	739	746	730
Commercial banks[r]	8	22	62	155	289	358	309	358	341[r]	249[r]	252	264	246
Rates of interest (*% per annum*)													
Call money rate △	...	1.64	1.10	0.98	1.27	0.94	0.92	0.50	1.33	1.17	1.17	1.33	...
Yield of long term gov't bonds[d] △	...	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	...
CAMBODIA (*million riels*)													
Money supply													
Currency: in circulation	...	...	...	...	999	1,058	1,026	1,058	1,262	1,392	1,477	1,384	1,348
Demand deposits in commercial banks	...	...	...	...	1,035	1,104	1,034	1,104	1,314	1,343	1,364	1,231	806
Private time deposits	...	...	...	...	37	15	11	15	12	17	23	24	24
Bank clearings △	...	...	125	273	446	412	405	395	389	511	476	510	627
Foreign assets	...	...	...	...	1,968	2,559	2,365	2,559	3,003	3,107	3,235	3,271	2,988
Banque Nationale du Cambodge	...	...	...	...	1,751	2,454	2,196	2,454	2,771	2,871	3,060	3,093	2,789
Commercial Banks	...	...	...	...	217	105	169	105	231	236	176	178	199
Claims on private sector	...	...	...	...	329	563	470	563	592	807	860	890	879
Claims on government by Banque Nationale du Cambodge	...	...	...	...	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014	1,014
CEYLON (*million rupees*)													
Money supply	607	896	827	957	1,073	1,127[r]	1,064	1,127	1,107	1,045	1,046	1,052	1,050
Currency: net active	241	357	335	342	384	401[r]	409	401[r]	409	426	438	434	431
Deposit money	366	539	492	615	688	726	654	726	698	619	607	619	619
Private time deposits	253	390	387	420	451	509	502	509	512	532	553	565	572
Government deposits	...	59	53	69	116	176	209	176	171	104	204	105	114
Central Bank of Ceylon	...	10	7	16	42	67	51	67	73	9	40	8	7
Commercial Banks	...	49	46	53	74	109	158	109	98	96	164	97	107
Bank clearings △	391	688	671	684	758	735	772	732	785	728	776	713	642
Bank debits[e] △	...	1,109	1,148	1,107	1,060	1,063	1,076	1,084	1,253	1,134	1,145	964	926
Foreign assets	636	497	342	656	880	898	906	898	861	720	747	728	714
Central Bank of Ceylon	462	401	245	524	655	737	729	737	703	588	624	605	591
Commercial Banks	174	96	97	132	225	161	177	161	158	132	123	124	123
Claims on the private sector (commercial banks)	82	195	207	247	256	344	316	344	369	369	389	382	406
Claims on government	369	752	794	621	601	676	656	676	693	724	801	743	781
Central Bank of Ceylon	...	161	223	27	18	11	14	11	11	73	145	77	104
Other banks	369	591	571	594	583	665	642	665	682	651	656	666	677
Rates of interest (*% per annum*)													
Call money rate △	...	0.50	0.96	*0.50*	*0.50*	*0.50*	*0.50*	*0.50*	*0.58*	*0.92*	*1.50*	*1.50*	*1.25*
Treasury bill rate △	0.22	0.72	1.91	1.59	0.79	0.68	0.76	0.74	0.53	0.80	1.04	1.08	1.14
Yield of long term gov't bonds[f] △	2.94	2.93	3.85	3.79	3.13	3.04	3.03	3.01	3.00	2.99	2.99	3.00	2.98
CHINA[r] (Taiwan, *million new Taiwan dollars*)													
Money supply	...	1,243	1,617	2,103	2,636	3,261	2,983	3,261	3,306	3,487	3,550	3.650	3,684
Currency: net active	...	895	1,072	1,340	1,604	1,883	1,729	1,883	1,926	2,015	2,079	2,112	2,147
Deposit money	...	348	545	763	1,032	1,378	1,254	1,378	1,380	1,471	1,472	1,538	1,537
Private time deposits	...	539	698	887	1,010	1,049	987	1,049	1,202	1,323	1,406	1,432	1,424
Government deposits	...	453	584	810	998	1,295	1,336	1,295	1,623	1,683	1,662	1,858	1,888
Bank of Taiwan	...	424	536	743	826	1,167	1,221	1,167	1,475	1,543	1,500	1,696	1,720
Other banks	...	29	48	67	172	128	115	128	148	140	162	162	168
Counterpart funds	...	353	637	631	1,405	1,485	1,352	1,485	1,732	1,673	1,646	1,594	1,519
Bank clearings △	...	862	1,740	1,720	2,887	3,872	3,718	4,574	4,167	4,887	5,361	6,010	5,935
Foreign assets (Bank of Taiwan)	...	...	412	134	504	528	405	528	765	890	608	567	634
Claims on private sector[g]	...	...	816	1,283	2,048	2,286	2,214	2,286	2,520	2,798	3,064	3,024	3,072
Bank of Taiwan	...	...	79	167	402	470	492	470	575	715	762	713	667
Other banks	...	...	737	1,116	1,646	1,816	1,722	1,816	1,945	2,083	2,302	2,312	2,405

16. CURRENCY AND BANKING *(Cont'd)*

End of period

	1948	1952	1953	1954	1955	1956	1956 III	1956 IV	1957 I	1957 II	1957 III	1957 Oct	1957 Nov
CHINA[r] (Taiwan, *million new Taiwan dollars*) (*Cont'd*)													
Claims on government[h]	...	964	1,108	1,477	1,687	2,020	1,777	2,020	2,350	2,311	2,255	2,330	2,329
Bank of Taiwan	...	924	1,092	1,445	1,652	1,974	1,728	1,974	2,303	2,254	2,205	2,288	2,284
Other banks	...	40	16	32	35	46	49	46	47	57	50	42	45
Claims on official entities[g]	...	...	1,342	1,596	1,958	2,475	2,491	2,475	2,551	2,425	2,736	2,891	2,927
Bank of Taiwan	...	...	1,257	1,506	1,860	2,385	2,385	2,385	2,460	2,353	2,663	2,797	2,839
Commercial banks	...	...	85	90	98	90	106	90	91	72	73	94	88
Call money rate (% *per annum*) △	...	10.80	9.00	7.20	7.20	5.70	5.40	5.40	5.40	5.40	...	...	...
HONG KONG (*million HK dollars*)													
Money supply													
Currency notes: in circulation	783	802	802	728	727	732	730	732	750	753	757	756	757
Bank clearings △	689	1,195	1,035	1,140	1,160	1,276	1,225	1,317	1,408	1,371	1,401	1,494	1,390
INDIA (*thousand million rupees*)													
Money supply	19.76	17.13	17.09	18.32	20.47	21.79	21.09	21.79	23.13	23.44	22.34	22.80	22.43
Currency: net active	12.70	11.56	11.66	12.25	13.86	14.85[r]	14.36	14.85	15.56	15.63	14.91	14.97	14.99
Deposit money	7.06	5.57	5.43	6.08	6.61	6.93	6.73	6.93	7.56	7.81	7.43	7.84	7.44
Private time deposits	3.13	4.40	4.68	5.26	6.13	6.98	6.92	6.98	7.19	8.01	8.63	8.58	8.95
Government deposits (Reserve Bank of India)	2.16	1.78	1.16	0.60	0.59	0.65	0.76	0.65	0.70	0.58	0.58	0.59	0.56
Bank clearings △	5.55	5.71	5.49	5.58	6.52	7.03	6.72	7.30	8.02	7.48	6.86	5.89	8.18
Foreign assets (Reserve Bank of India)	10.67	7.46	7.63	7.71	7.75	6.48	6.55	6.48	6.45	5.71	4.70	4.45	4.27
Claims on private sector	4.26	5.54	5.47	6.16	7.04	8.84	8.42	8.84	9.76	10.34	10.08	10.17	9.90
Commercial Banks	4.26	5.37	5.28	5.95	6.78	8.48	8.05	8.48	9.44	9.87	9.55	9.63	9.36
Cooperative banks	...	0.17	0.19	0.21	0.26	0.36	0.37	0.36	0.32	0.47	0.53	0.54	0.54
Claims on government	10.78	11.94	11.78	12.11	14.05	16.93	15.79	16.93	18.39	19.82	20.53	21.20	21.57
Reserve Bank of India	4.86	6.44	6.06	6.04	7.13	9.82	8.63	9.82	11.40	12.93	13.15	13.80	14.07
Other banks	4.63	4.34	4.58	4.98	5.74	5.96	6.01	5.96	5.81	5.69	6.27	6.28	6.38
Treasury currency	1.29	1.16	1.14	1.09	1.18	1.15	1.15	1.15	1.18	1.20	1.11	1.12	1.12
Rates of interest (% *per annum*)													
Call money rate △	0.50	2.02	2.12	2.35	2.59	3.21	3.15	3.46	3.50	3.50	3.17	3.00	2.88
Yield of long-term govt. bonds[i] △	...	3.69	3.64	3.65	3.72	3.92	3.96	4.06	4.06	4.07	4.18	4.23	4.23
INDONESIA (*thousand million rupiah*)													
Money supply	2.81	6.60[r]	7.49[r]	11.12[r]	12.23[r]	13.39	11.65[r]	13.39	13.36	15.13	16.88	17.33	17.63
Currency: net active	1.53	4.35	5.22	7.47	8.65	9.37	8.18	9.37	9.33	10.85	12.54	12.68	13.10
Deposit money	1.28	2.25[r]	2.27[r]	3.64	3.59	4.02	3.48	4.02	4.03	4.28	4.34	4.64	4.53
Private time deposits	...	0.18	0.24	0.29	0.34	0.52	0.35	0.52	0.40[r]	0.43[r]	0.42	0.42	...
Foreign assets (net)	0.79	1.79	2.02	1.73	2.74	1.66	1.27	1.66	1.24	0.94	1.57	1.67	...
Bank Indonesia (net)	0.55	0.91	1.30	1.15	1.95	0.90	0.73	0.90	0.60	0.56	1.07	1.14	...
Gross foreign assets	0.55	1.78	2.40	2.89	3.50	2.89	2.58	2.89	2.48	2.20	2.75	2.92	2.73
Foreign liabilities[j]	...	0.87	1.10	1.74	1.55	1.99	1.85	1.99	1.88	1.64	1.68	1.78	...
Other banks	0.24	0.88	0.72	0.58	0.79	0.76	0.54	0.76	0.64	0.38	0.50	0.55	...
Claims on private sector	0.27	2.42	2.40	2.83	4.02	5.05	4.75	5.05	5.00	4.27	4.64	4.67	4.62
Bank Indonesia	0.10	0.73	0.44	0.46	0.86	1.00	0.86	1.00	0.85	0.90	0.86	0.76	0.76
Other banks	0.17	1.69	1.96	2.37	3.16	4.05	3.89	4.05	4.15	3.37	3.78	3.91	3.86
Claims on government	1.80	5.42	5.88	9.27	9.29	11.46	10.43	11.46	12.56	15.71	17.92	18.68	...
Bank Indonesia	0.78	5.03	5.40	8.61	8.51	10.58	9.67	10.58	11.38	14.29	16.43	17.07	...
Other banks	0.22	0.13	0.14	0.18	0.21	0.24	0.22	0.24	0.28	0.49	0.58	0.69	...
Treasury currency	0.80	0.26	0.34	0.48	0.57	0.64	0.54	0.64	0.90	0.93	0.93	0.92	0.92
JAPAN[r] (*thousand million yen*)													
Money supply	...	...	...	2,013	2,331	2,714	...	2,714	2,552	2,437	2,389	...	...
Currency: net active	...	...	...	523	626	720	...	720	587	617	570	...	...
Deposit money	...	...	...	1,490	1,705	1,994	...	1,994	1,965	1,820	1,819	...	...
Time deposits (other banks)	...	...	...	2,534	3,064	3,837	3,624	3,837	4,079	4,276	4,504	...	...
Government deposits	...	...	...	171	179	210	...	210	386	242	253	...	...
Bank of Japan	...	...	58	67	61	66	62	66	244	62	69	...	...
Other banks	...	...	...	104	118	144	...	144	142	180	184	...	...
Bank clearings △	236	1,624	2,080	2,430	2,750	3,342	3,355	4,033	3,794	4,093	4,364	4,562	4,316
Foreign assets	...	...	...	302	447	457	...	457	353	232	225	...	...
Bank of Japan	...	...	− 19	− 31	170	153	156	153	154	92	8	...	...
Foreign Exchange Fund	...	373	297	342	289	355	343	355	275	235	259	...	...
Other banks	...	...	...	− 9	− 12	− 51	...	− 51	− 76	− 95	− 42	...	...
Claims on private sector	...	...	...	4,164	4,684	5,917	...	5,917	6,290	6,571	6,883	...	...
Claims on government	...	...	...	264	450	465	...	465	461	260	223	...	...
Rates of interest (% *per annum*)													
Call money rate (Tokyo) △	...	8.05	7.82	7.84	7.36	6.57	7.30	7.79	9.13	10.89	12.78	10.95	10.95
Yield of long-term gov't bonds[k] △	...	5.50	6.68	7.01	6.33	6.34	6.34	6.34	6.34	6.33	6.32	...	...

End of period

	1948	1952	1953	1954	1955	1956	1956		1957				
							III	IV	I	II	III	Oct	Nov
KOREA, southern *(thousand million hwan)*													
Money supply[r]	0.7	15.4	33.6	61.9	94.4	128.7	109.9	128.7	133.1	128.9	136.5	135.1	143.7
Currency: in circulation	0.4	9.7	22.4	40.1	58.8	73.4	61.0	73.4	63.7	61.3	65.8	69.1	77.0
Deposit money[r]	0.3	5.6	11.2	21.8	35.6	55.3	48.9	55.3	69.4	67.6	70.7	66.0	66.7
Uncleared checks and bills	...	1.0	2.0	4.2	6.0	15.2	12.7	15.2	12.9	9.5	11.4	8.8	9.0
Time deposits[m]	...	0.5	3.8	5.0[r]	10.0[r]	16.9[r]	18.8[r]	16.9[r]	14.3[r]	14.8[r]	16.6	16.2	16.0
Bank clearings △	0.2	13.7	21.4	51.8	107.4	207.7	221.9	216.8	201.7	210.8	183.2	200.6	198.0
Government deposits	...	8.7	15.9	17.6	33.4	68.0	70.7	68.0	93.4	111.8	111.2	118.9	117.5
Counterpart funds	...	—	0.2	16.1	14.2	83.0	50.0	83.0	100.0	108.1	129.4	144.2	153.1
Foreign assets (Bank of Korea)	...	4.7	12.6	8.4	14.2	15.7	15.6	15.7	18.5	19.6	19.1	20.7	22.0
Gross foreign assets	...	5.0	19.6	19.4	47.4	48.6	48.6	48.6	51.5	52.4	52.0	53.9	55.3
Foreign liabilities[n]	...	0.3	4.4	8.5	23.4	23.1	23.2	23.1	23.2	23.0	23.1	23.4	23.5
Revaluation proceeds	...	...	2.6	2.5	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Claims on private sector	...	6.0	20.8	24.0	42.6	76.6	78.6	76.6	74.5	84.7	97.5	101.8	108.0
Bank of Korea	...	0.6	5.5	2.0	5.5	5.8	5.8	5.8	5.7	6.0	5.7	5.7	5.7
Other banks	...	5.4	15.3	22.0	37.1	70.8	72.8	70.8	68.8	78.7	91.8	96.1	102.3
Claims on government	...	12.2	24.7	68.0	111.4	213.4	159.9	213.4	254.7	270.3	299.1	312.6	314.0
Bank of Korea	...	12.0	24.1	66.9	109.5	209.7	156.7	209.7	250.1	265.6	294.1	307.3	308.9
Other banks	...	0.2	0.6	1.1	1.9	3.7	3.2	3.7	4.5	4.7	5.0	5.3	5.1
Claims on official entities	...	2.5	4.7	0.9	3.5	5.4	4.8	5.4	5.5	5.1	6.1	5.9	5.8
Bank of Korea	...	1.4	1.8	0.5	2.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Commercial Banks	...	1.1	2.9	0.4	0.8	1.4	0.8	1.4	1.5	1.1	2.1	1.9	1.8
MALAYA[r] (Fed. of) and SINGAPORE *(million Malayan dollars)*													
Money supply	...	1,196	1,086	1,068	1,267	1,268	...	1,268	1,265	1,227	1,215	1,205	1,205
Currency: net active	...	681	646	711	861	892	876	892	896	887	882	871	881
Deposit money	...	515	440	357	406	376	...	376	369	340	333	334	324
Time deposits	...	199	221	243	338	317	...	317	314	303	292	297	289
Bank debits[p] △	...	...	...	...	1,438	1,600	1,604	1,718	1,392	1,602	1,700	1,713	1,676
Foreign assets	...	1,277	1,215	1,290	1,541	...	...	...	...	...	...	...	...
Currency Board	...	836	827	892	965	992	...	992	...	...	...	...	...
Other banks (net)	...	441	388	398	576	...	...	...	...	...	...	...	...
Claims on private sector	...	192	179	217	244	292	278	292	334	319	328	325	324
Claims on government	...	...	35	43	37	...	...	...	...	...	...	...	...
PAKISTAN *(million rupees)*													
Money supply	2,698	3,220	3,568	3,856	4,546	4,933	4,566	4,933	5,069	5,066	5,034	5,053	5,154
Currency in circulation	1,708	2,151	2,372	2,575	2,990	3,464	3,064	3,464	3,516	3,432	3,316	3,369	3,492
Deposit money	990	1,069	1,196	1,281	1,556	1,469	1,502	1,469	1,553	1,634	1,718	1,683	1,663
Time deposits	460	557	644	808	889	968	969	968	991	1,013[r]	1,078	1,083	1,092
Bank clearings[q] △	306	534	536	555	593	896	613	766	785	738	698	842	804
Government deposits	923	377	216	173	152	432	359	432	523	623	730	747	804
Foreign assets (State Bank of Pakistan)[s]	1,629	933	935	1,038	1,648	1,659	1,665	1,659	1,686	1,463	1,260	1,260	1,266
Claims on private sector (scheduled banks)	410	792	802	984	1,183	1,256	988	1,256	1,223	1,149	1,146	1,175	1,247
Claims on government[r]	...	...	2,280	2,571	2,501	3,056	2,626	3,056	3,084	3,232	3,446	3,478	3,618
State Bank of Pakistan[r]	250	1,062	1,247	1,404	1,205	1,663	1,223	1,663	1,677	1,800	1,872	1,902	2,047
Other banks	...	...	820	937	1,036	1,110	1,130	1,110	1,120	1,148	1,286	1,288	1,277
Treasury currency	66	203	213	230	260	283[r]	273[r]	283[r]	287	284	288	288	293
Claims on provincial governments[f]	...	...	98	145	122	117	118	117	210	106	106	108	168
State Bank of Pakistan	4	157	8	53	12	2	—	2	94	—	—	2	60
Scheduled Banks	...	...	91	92	110	115	118	115	116	106	106	106	108
Rates of interest (*% per annum*)													
Call money rate △	...	2.10	1.01	1.30	1.45	2.04	1.08	2.69	2.88	2.16	1.08	1.47	2.20
Yield of long-term government banks[t] △	...	2.98	3.06	3.14	3.15	3.15	3.13	3.16	3.20	3.19	3.20	3.20	3.20
PHILIPPINES *(million pesos)*													
Money supply	...	1,198	1,224	1,227	1,336	1,499	1,448	1,499	1,567	1,566	1,546	1,573	1,592
Currency: net active	...	630	666	677	670	719	689	719	732	726	734	747	756
Deposit money	...	568	558	550	666	780	759	780	835	840	813	826	836
Private time deposits	279	407	461	528	585	656	631	656	698	713	742	749	748
Bank clearings △	381	480	520	550	614	739	719	775	849	880	900	935	...
Bank debits[u] △	772	659	743	815	921	1,145	1,125	1,132	1,264[r]	1,355	...	...	...
Government deposits	22	175	150	132	196	281[r]	330	281[r]	260[r]	274[r]	248	224	198
Central Bank of the Philippines	...	116	55	32	63	112	158	112	100[r]	117[r]	96	77	67
Philippine National Bank	22	59	95	100	133	168	172	168	159	158	152	147	131
Foreign assets	883	612	593	545	418	440	475	440	448	381	368	338	302
Central Bank	800	472	481	415	310	322	338	322	293	239	238	211	168
Other banks (net)	83	140	112	130	108	118	137	118	155	143	130	127	134

16. CURRENCY AND BANKING *(Cont'd)*

End of period

	1948	1952	1953	1954	1955	1956	1956		1957				
							III	IV	I	II	III	Oct	Nov
PHILIPPINES (*million pesos*) (*Cont'd*)													
Claims on private sector (other banks)	:..	762	846	935	1,100	1,240	1,190	1,240	1,310	1,372	1,424	1,440	1,464
Claims on government	40	376	439	417	577	707	709	707	714	699	737	766	771
Central Bank of the Philippines	...	357	344	304	349	381	297	381	438	400	517	579	614
Other banks	40	19	95	113	228	326	412	326	276	299	220	186	158
Claims on official entities	78	98	124	160	226	268	262	268	295	328	310	310	321
Central Bank of the Philippines[v]	...	44	52	115	185	200	198	200	238	239	258	261	268
Other banks	78	54	72	45	41	68	64	68	57	88	52	49	53
THAILAND (*million baht*)													
Money supply	2,881	4,932	5,438	6,058	6,915	7,305	7,502	7,305	7,755	7,595	*7,904*	...	...
Currency: net active	2,205	3,678	4,016	4,548	5,176	5,421	5,247	5,421	5,657	5,378	*5,529*	...	...
Deposit money	676	1,254	1,422	1,510	1,739	1,884	2,255	1,884	2,098	2,217	*2,375*	...	...
Time deposits	292	436	518	652	824	1,048[r]	1,025[r]	1,048[r]	1,109[r]	1,117	...	...	...
Government deposits	568	841	1,221	974	1,110	1,244[r]	1,253[r]	1,244[r]	1,407[r]	1,545[r]	...	...	...
Bank of Thailand	533	670	975	693	763	1,132[r]	1,083[r]	1,132[r]	1,259[r]	1,372[r]	...	...	...
Deposit money banks	35	171	246	281	347	112	170	112	148	173	...	...	...
Bank clearings △	774	2,270	2,366	2,230	2,598	2,816	2,626	2,906	3,163	3,036	3,066	3,103	3,030
Foreign assets	2,180	2,344	1,159	193	2,643	2,922	2,828	2,922	3,205	3,091	3,217	3,206	3,198
Bank of Thailand	2,180	4,434	3,782	3,426	4,585	4,840	4,744	4,840	5,123	4,994	5,120	5,109	5,101
Exchange Fund	—	—	—	—	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260
Profits on exchange	—	2,090	2,623	3,233	3,202	3,178	3,176	3,178	3,178	3,163	3,163	3,163	3,163
Claims on private sector	449	1,437	1,978	2,281	3,000	3,440	3,316	3,440	3,920	4,014	4,098	...	...
Claims on government	1,497	2,946	5,221	6,520	5,724	6,147	5,997	6,147	...	6,172	...	...	...
Bank of Thailand	1,186	2,742	4,965	6,340	5,452	5,854	5,780	5,854	5,864	5,908[r]	5,907	5,924	5,869
Deposit money banks	311	204	256	180	272	293	217	293	...	264	...	...	...
Treasury bill rate (*% per annum*) △	1.32	2.17	2.25	. 2.27	2.26	2.28	2.25	2.28	2.28	2.26	2.25	2.24	2.28
Exchange rate (buying): Baht to US dollar △	19.69	18.64	18.11	21.20	21.39	20.62	20.67	20.57	20.50	20.60	20.59	20.62	20.65
VIET-NAM (southern, *thousand million piastre*)													
Money supply[r]	...	...	...	...	14.72	14.76	14.87	14.76	15.10[r]	13.59	13.14	13.22	12.64
Currency: net active	...	...	...	...	7.37	9.01	8.50	9.01	9.10	8.97	8.54	8.54	7.85
Deposit money[r]	...	...	...	...	7.36	5.75	6.37	5.75	6.00	4.62	4.69	4.68	4.79
Time deposits	...	...	...	...	0.59	1.36	1.49	1.36	1.67	1.57	1.28	1.19	0.97
Bank clearings △	...	...	...	...	3.13	2.86	3.05	2.66	2.88	3.11	3.30	3.34	...
Foreign assets[r]	...	...	...	...	4.52	4.71	5.07	4.71	4.94	5.00	5.23	5.16	5.25
Banque Nationale du Viet-Nam	...	...	...	1.05	4.36	4.61	4.72	4.61	4.48	4.50	4.75	4.55	4.70
Other banks (net)[r]	...	...	...	...	0.16	0.10	0.35	0.10	0.46	0.50	0.48	0.61	0.55
Claims on private sector	...	...	...	...	1.43	1.72	1.44	1.72	2.06	2.73	2.90	2.92	2.69
Claims on government	...	...	...	10.68	10.68	10.68	10.68	10.68	10.68	10.68	10.68	10.68	10.68
Banque Nationale du Viet-Nam	...	...	...	10.68	10.68	10.68	10.68	10.68	10.68	10.68	10.68	10.68	10.68

GENERAL NOTE: *Net active currency:* Total currency outstanding less holdings in all banks including the central bank and in government treasuries. *Currency in circulation:* Total currency outstanding less holdings in all banks including the central bank. *Deposit money:* Private deposits in all banks, subject to cheque or withdrawable on demand, excluding inter-bank liabilities. *Government deposits:* Including government currency holdings. *Bank clearings:* Total value of cheques and other collection items cleared through clearing houses. *Claims on private sector:* Claims by the banking system arising from the rendering of loans and advances, discounting of bills, the holding of securities in private companies, etc. *Claims on government:* Holdings of government bonds, treasury bills and government guaranteed securities by the banking system, plus circulation of treasury currency. *Rates of interest:* Rates prevailing in the capital city, except for India, where Bombay rates are used. *Call money rate* is inter-bank rate on money at call.

△ Monthly averages or calendar months.

a. Deposits of State Boards in State Commercial Bank (excluding the State Agricultural Bank).

b. Including foreign assets of the Burma Currency Board up to July 1952.

c. Including a constant amount of 99 million kyats, which is the value of a promissory note issued as cover for the currency issue.

d. 5 year treasury bonds.

e. Debits to demand deposits of private sector.

f. 3% national development loan 1965-1970 to earliest redemption date.

g. Including bank's holdings of stocks and debentures.

h. Including the counterpart of Post Office Demand Deposits.

i. Running yield of 3% paper to earliest redemption date.

j. Payments agreement liabilities, mainly to Japan and the Netherlands.

k. Weighed yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated.

m. Including deposits of local government and government institutions in commercial banks and non-governmental foreign currency deposits in Bank of Korea.

n. Clearing accounts with Japan.

p. Cheques sent out for local clearing and debits to current deposit accounts.

q. The number of clearing houses was increased in 1952 and 1953.

s. Including outstanding assets receivable from the Reserve Bank of India under the partition agreements; excluding foreign assets of Banking Department from 1952.

t. Yield to maturity of 3% bonds 1968.

u. Total debits to checking account of private sector, except for 1948 when debits to government deposits are included.

v. Including a constant amount of 107 million pesos from 1952, representing the difference between foreign assets transferred from the Treasury and its note and coin issue, for which the Bank assumed liability.

TRADE AGREEMENTS CONCLUDED DURING 1957[1]

The agreements and arrangements made by countries of Asia and the Far East to expand trade on a bilateral basis have assumed various forms, depending upon the purposes and interests sought to be promoted. Firstly, there are agreements intended primarily to facilitate mutual exchange of commodities between the contracting parties for a specified period, with or without specific provision for their extension. These trade agreements are often accompanied or followed by more detailed protocols. In any case, they usually provide for the exchange of specified commodities, with quantity or value ceilings frequently stipulated, and for methods of payment or settlement, including in some cases barter arrangements. Secondly, there may be included single-commodity arrangements, negotiated at times when selling countries have been concerned to secure export markets for their staple primary commodities, or to dispose of surpluses of such commodities, or when buying countries have been faced with the problem of shortages of food or raw materials and have tried to secure their requirements through bulk purchase at an advantageous price.[2]

Trade agreements can significantly influence the direction of international trade provided they constitute a substantial part of the total normal trade of the contracting parties and provided their terms (as to commodities, quantities and values) are carried out as agreed. Trade agreements negotiated by ECAFE countries have in most cases, however, been a reflection mainly of willingness on the part of the contracting parties to promote trade between them. They have thus been largely of the permissive type and have not entailed firm commitments. Many have dealt with specific commodities, sometimes with further specification of estimated total values, but the actual implementation has generally been left to private trade. Experience has shown that the actual flow of trade does not generally follow the pattern set in the agreements unless the various commodities are competitive in quality and price in the estimation of the importers and exporters concerned. However, where the State is directly involved in the import and export trade of the country in question (as in mainland China, northern Korea and northern Viet-Nam and, to some extent, also India and Burma), the implementation of trade agreements follows more closely the original plan.

In 1957 a number of countries of the ECAFE region contracted new trade agreements and most of the existing agreements were extended. On the basis of the available data it appears that 22 intra-regional trade and payments agreements, or other arrangements intended to promote trade on a bilateral basis, were signed between countries or areas both of which are in the region. Two of these agreements were contracted between centrally planned economies; in nine other cases a centrally planned economy participated; in the remaining eleven cases neither party has this type of economic system. ECAFE countries also contracted 92 extra-regional bilateral trade and/or payments agreements or arrangements designed to secure imports of capital and consumer goods or find markets for their staple exports. Fifty-two of these extra-regional agreements were signed by ECAFE countries which do not have centrally planned economies. Twenty-three of the agreements in this group were negotiated with West European countries. On the other hand, forty extra-regional agreements were signed by the centrally planned countries of the region, twenty-seven of them with the Soviet Union and East European countries. The last-mentioned agreements usually took the form of barter exchanges of particular commodities.

In addition to the foregoing agreements, twenty-seven single-commodity intra-regional arrangements were made in 1957, of which twenty-two had to do with the purchase of rice. Ten extra-regional single commodity arrangements were contracted, all of them by countries with economies not of the centrally planned type.

CLASSIFICATION OF TRADE AGREEMENTS BY COUNTRIES OF THE ECAFE REGION IN 1957

	Total	General trade agreements	Single commodity agreements: Rice	Single commodity agreements: Other
Intra-regional				
1. Between mainland China, northern Korea and northern Viet-Nam ...	2	2	—	—
2. Between other ECAFE countries ..	33	11	19	3
3. Between (1) and (2)	14	9	3	2
TOTAL	49	22	22	5
Extra-regional				
1. Soviet Union and East European countries				
a. With mainland China, northern Korea and northern Viet-Nam.	27	27	—	—
b. With other ECAFE countries ..	20	17	3	—
2. Western European countries				
a. With mainland China, northern Korea and northern Viet-Nam.	4	4	—	—
b. With other ECAFE countries ..	24	23	1	—
3. United States with countries other than mainland China, northern Korea and northern Viet-Nam ..	3	1	1	1
4. Rest of the world				
a. With mainland China, northern Korea and northern Viet-Nam.	9	9	—	—
b. With other ECAFE countries ..	15	11	3	1
TOTAL	102	92	8	2
Grand total	151	114	30	7

[1] Including several agreements concluded in November or December 1956, which became effective from the date of conclusion or from 1957.

[2] In a still broader classification may be included surplus agricultural commodity agreements for the sale of United States farm products under United States Public Law 480, with payment in national currency and a substantial part of the proceeds commonly used on a loan basis to finance economic development in the recipient country. A number of additional agreements of this kind, not shown in the appended list, were signed by ECAFE countries with the United States in 1957.

1. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Afghanistan—China (Mainland)	Two years	Afghanistan: wool, cotton, sheep skins, dried fruit, and oil-bearing seeds. China: machinery, building materials textiles, tea, and paper.		First trade and payments agreement, signed in Kabul on 28 July 1957. Period of validity may be automatically extended for another year. Ratified by the Afghan National Assembly on 17 September 1957.
Afghanistan—India	One year	Total value: Rs. 33.5 million each way as ceiling for the first year. Afghanistan: dried and fresh fruits, and medicinal gum resin (asafoetida). India: tea, spices, sugar, tobacco manufactures, cotton and rayon textiles, jute textiles, woollen manufactures, leather and leather goods, machinery, building materials, motor-cycles, bicycles, aluminium goods, iron and steel products, telecommunications and electric goods, chemicals, pharmaceuticals, films, rubber goods, paper and stationery etc.	Payment in Indian rupees.	Trade arrangements, formalized by an exchange of letters in New Delhi on 14 June 1957, with a view to promoting trade and achieving balance in trade between two countries. Subject to periodical review by the two Governments for mutual advantage.
Burma—Ceylon	1957	200,000 tons of Burma's rice, valued at about £6.68 million.		Signed in Rangoon on 22 February 1957.
Burma—China (Mainland)	1957	50,000 tons of Burma's rice, valued at £1.65 million.		Signed in Rangoon on 20 May 1957.
Burma—India	1957	500,000 tons of Burma's rice, valued at about £16.6 million.		Signed in Rangoon on April 1957.
Burma—India	1957	15,000 tons of Burma's teak-wood, valued at about K 14.5 million.		Signed in Rangoon on 29 April 1957.
Burma—Indonesia	Feb.—Aug. 1957	140,000 tons of Burma's rice, valued at £4.74 million.		Signed in Rangoon on 6 February 1957.
Burma—Indonesia	Aug.—Dec. 1957	25,000 tons of Burma's rice.		Signed in July or August 1957.
Burma—Japan	1957	100,000 tons of Burma's rice, valued at £4.21 million.	Payment in pounds sterling.	Announced in Rangoon on 1 February 1957. This is a reduced purchase for the year by Japan who was originally committed to import 200,000-300,000 tons of Burma's rice in 1957 under a 1953 arrangement which is valid until 31 December 1957.
Burma—Japan	Through 1958	Burma: rice, raw cotton, teak, natural lacquer, beans etc. Japan: textiles, construction materials, cement, electrical equipment, industrial equipment, machinery and plants, foodstuffs etc.	Payment in pounds sterling.	Extension of existing agreement for another year, announced by Japanese Foreign Office on 20 December 1957.
Burma—Korea (northern)		Burma: rice and rice products, beans, cotton, oil-bearing seeds etc. Korea: cement, structural steel, sheet glass, chemical fertilizer, carbide, ginseng, silk fabrics, marine products, hops etc.		Letters exchanged in Rangoon on 2 October 1957, also stipulating that to promote economic exchange between two countries each side will station trade delegations in the capital of the other.
Burma—Malaya (Fed. of)	1957	30,000 tons of Burma's rice, valued at about £1.16 million.		Signed in Rangoon on 3 May 1957.
Burma—Pakistan	1 Mar. 1957 — 28 Feb. 1960	Burma: rice, timber etc. Pakistan: jute, textiles etc.		Signed in Rangoon on 25 February 1957. A protocol was concluded at the same time, under which Pakistan agreed to purchase from Burma 50,000-100,000 tons of rice in 1957, and 100,000 tons of rice annually during 1958 and 1959.
Burma—Pakistan	1957	50,000 tons of Burma's rice, valued at about £1.76 million.		Signed in Rangoon on 4 March 1957.
Burma—Pakistan	1957	25,000 tons of Burma's rice, valued at £721,745.		Signed in Rangoon on 24 June 1957.
Burma—Pakistan	1957	78,700 tons of Burma's rice, valued at about £2.9 million.		Signed in Rangoon on 16 August 1957.
Cambodia—China (Mainland)	1 June 1957 — 31 May 1958	Cambodia: rubber, rice and products, maize, tobacco, timber etc. China: machinery, steel, building materials, cotton textiles, raw silk etc.	Payment in pounds sterling or other acceptable currency.	Extension of 24 April 1956 agreement in May or June 1957.

1. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Ceylon—China (Mainland)	1958—1962	Ceylon: rubber, pepper, coconut oil, copra, precious and semi-precious stones etc. China: rice steel, machinery, scientific instruments, building materials, chemicals, coal, foodstuffs, silk and silk piece-goods, handicrafts etc.	Payment in rupees. Balance to be settled periodically in pounds sterling or any other acceptable currency.	Five- year trade and payments agreement, signed in Peking on 19 September 1957. The agreement will come into force when the first 5-year trade agreement expires at the end of 1957. It also provides for reciprocal most-favoured-nation treatment, principle of import-export balance, and conclusion of a protocol each year to specify the aggregate value of trade for that year. An economic aid agreement was signed at the same time, under which China will send gratis to Ceylon 75 million Ceylon rupees' worth of commodities in the next five years.
Ceylon—China (Mainland)	Through 1958	Total value: 95-165 million Ceylon rupees each way. Ceylon: rubber (30,000-50,000 tons), coconut oil, cocoa etc. China: rice (200,000-270,000 tons), cotton textiles, tea chests, steel, cement, tyres, paper, machinery and equipment, chemicals, coal etc.	(See five-year agreement above.)	Protocol on exchange of commodities, signed in Peking on 19 September 1957 in accordance with the new 5-year trade and payments agreement concluded at the same time.
China (Taiwan)—Japan	1 Apr. 1957 — 31 Mar. 1958	Total value: $92.6 million each way. China: sugar, rice, bananas, canned pineapples, salt, cedar-wood, coal, molasses, bagasse pulp, natural essence, bamboo-shoots, tea, camphor etc. Japan: fertilizers, iron and steel goods, machinery, rolling stock and communication equipment and vessels, textiles, chemicals, electric supplies, non-ferrous products, vehicles and parts, pharmaceuticals and medical supplies, tyres and tubes and other rubber products, aquatic products, ceramics etc.	Open account in dollars.	Signed in Tokyo on 31 August 1957 for one year, retroactive from 1 April 1957. The target volume of trade is $16.5 million bigger than the previous year.
China (Mainland)—India	14 Oct. 1956 — 31 Dec. 1958	China: metals, ores, newsprint, chemicals and chemical preparations, raw silk, cassia etc. India: tobacco, raw cotton, jute manufactures, spices, shellac, mica, medicines and medicinal herbs etc.	Payment in rupees. Balance convertible into pounds sterling.	Letters exchanged in New Delhi on 25 May 1957, extending the 14 October 1954 trade agreement, originally concluded for a period of two years, for a further period up to the end of 1958, with some modifications relating to payment.
China (Mainland)—Korea (northern)	Through 1957	China: grain, cotton, cotton yarn and cloth, coal, salt, rolled steel, raw materials for chemical engineering, paper, building materials etc. Korea: iron ore, ferro-silicon, tool steel, non-ferrous metals, cement, calcium carbide, fruits, marine products etc.		Two protocols, on China's aid to Korea and on trade, signed in Pyongyang on 24 January 1957. Trade volume to increase considerably over 1956.
China (Mainland)—Viet-Nam (northern)	Through 1957	China: cotton yarn and cloth, metal products, motor-car tubes and tyres, pharmaceutical products, medical supplies, cultural articles etc. Viet-Nam: agricultural and forest products, minerals, handicraft articles etc.		Signed in Hanoi on 31 July 1957. At the same time was signed a protocol on aid in goods granted by China to Viet-Nam in 1957.
India—Indonesia	Through 1957	India: cotton textiles and yarn, jute goods, tobacco, linseed oil, hardware, pharmaceuticals and chemicals, tea chests, shellac, sports goods, rubber tyres and tubes, porcelainware, paper and boards, machinery including agricultural implements, diesel engines, sugar-cane crushers, textile machinery, electrical equipment, sewing-machines, hurricane lanterns etc. Indonesia: copra, coconut oil, palm kernels, essential oils, spices and betel-nuts, timber, tin, rubber, hides and skins, canes and rattans, gums and resins, tanning materials, sisal fibre, tobacco wrappers etc.	Payment in rupees or pounds sterling.	The trade agreement, concluded on 30 January 1953, was extended from time to time. For the year 1957 the first extension was announced in February and the second in July extending the validity of the agreement up to 30 June and 31 December respectively.

1. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
India—Japan	1 Apr. 1957 — 31 Mar. 1958			The Indo-Japanese Peace Treaty of 9 June 1952 provided for reciprocal most-favoured-nation treatment in trade matters for a period of four years up to 27 April 1956. The period, last extended up to 31 March 1957 on 6 October 1956, was further extended up to 30 September and 31 December 1957 and 31 March 1958 by exchange of letters on 30 March, 28 September and 30 December respectively.
India—Japan	Apr. 1957—Apr. 1962	India: iron ore (1.3 million tons in 1957/58, some 1.4 million tons in 1958/59, and 1.5 million tons each year in the remaining three years).		Five-year agreement, signed in Tokyo in November 1956 between Japanese iron-steel manufacturers and the Indian Government.
India—Korea (northern)		India: raw cotton, cotton and woollen textiles, jute goods, coir and manufactures, vegetable oils, shellac, machine tools, sewing-machines, salt etc. Korea: cement, glass sheets and plates, electrolytic zinc, steel, ammonium sulphate etc.		Concluded in New Delhi on 19 August 1957 between the Trade Delegation of Democratic People's Republic of Korea and the State Trading Corporation of India.
India—Pakistan	1 Feb. 1957 — 31 Jan. 1960	India: coal, chemicals, drugs and medicines, mill-board and straw-board, machinery and mill work, workshop equipment, electrical instruments, cinema films, sugar, tea for blending, coffee, betel leaves, bidis and hookah tobacco, bidi leaves, gums and resins etc. Pakistan: raw jute, hides and skins, fish, poultry and eggs, betel-nuts, spices, honey, cinema films, machine tools, bicycles and spare parts, surgical instruments, sports goods etc.		Signed in New Delhi on 22 January 1957. Reciprocal most-favoured-nation treatment and limited border trade provided. The agreement will remain valid for three years, with the attached Schedules subject to revision before the commencement of the years 1958 and 1959. It may, however, after expiry of the first year, be terminated by either party giving six months' notice in writing to the other.
India—Viet-Nam (northern)	1957	14,000 tons of Viet-Nam's rice.		Two agreements, each for 7,000 tons, signed in New Delhi on 1 May and 28 November 1957 respectively between State Trading Corporation of India and Democratic Republic of Viet-Nam.
India—Viet-Nam (northern)	1957	India: 1.5 million gunny bags, valued at about Rs. 1.8 million.		Signed in July 1957 between State Trading Corporation of India and Democratic Republic of Viet-Nam.
India—Viet-Nam (northern)		India: 14,000 tons of cement. Viet-Nam: 1,000 tons of sugar.		Signed in New Delhi on 5 October 1957 between State Trading Corporation of India and Democratic Republic of Viet-Nam.
Indonesia—Japan	1957	75,000 tons of Indonesia's sugar.		Concluded in Djakarta on 13 March 1957.
Indonesia—Korea (northern)	15 May 1957 — 14 May 1958	Indonesia: rubber, tea, coconut oil, copra, desiccated coconut, spices, resins, vegetable oils, quinine and cinchona bark, coffee, rattan, tapioca, timber, pearls, cocoa kernels, tanning material etc. Korea: electrolytic zinc and lead, steel, cement, window glass, chemical fertilizers, caustic soda, calcium carbide, sodium bicarbonate, salted fish, silk etc.	Payment in transferable pounds sterling.	Concluded in Djakarta on 15 May 1957 between representatives of the Indonesian Industry and Trade Council and of the Government of Korean Democratic People's Republic.
Indonesia—Pakistan	Through 1957	Indonesia: copra, palm-oil, spices, rubber, timber, tyres, quinine salt, tin, building materials etc. Pakistan: raw cotton, gunny bags, sports goods, surgical instruments, cinema films etc.		The 7 February 1953 trade agreement, last extended to end-1956, was further extended up to 30 June and 31 December 1957 in March and September respectively.
Indonesia—Thailand	Feb.—Apr. 1957	50,000 tons of Thailand's rice, valued at about £1.78 million.		Signed in Bangkok on 22 January 1957.
Indonesia—Thailand	May—July 1957	50,000 tons of Thailand's rice.		Signed in Bangkok on 26 April 1957.
Indonesia—Thailand	Nov.—Dec. 1957	20,000 tons of Thailand's rice, valued at £0.86 million.		Signed in Bangkok on 20 November 1957.
Indonesia—Viet-Nam (northern)	One year	Indonesia: rubber, sugar, coffee, pepper, copra, coconut oil, quinine and cinchona bark, tobacco, hides, tin etc. Viet-Nam: rice, cement, fertilizers, anthracite, phosphate, dried and salted fish, textiles, silk goods, fruits etc.	Payment in pounds sterling.	Signed in Djakarta on 8 January 1957. Ratified in April 1957.
Indonesia—Viet-Nam (northern)	July—Dec. 1957	25,000 tons of Viet-Nam's rice.	Payment in pounds sterling.	Signed on 20 July 1957.

1. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Japan—Pakistan	1 July 1957 — 30 June 1958	Japan: cotton and rayon textiles and yarns, iron and steel and other metals, capital goods and machinery, chemicals and dyes etc. Pakistan: raw cotton and jute, cotton linters, hides and skins, salt, gypsum etc.	Payment in pounds sterling.	Trade arrangement, concluded in Karachi on 7 September 1957.
Japan—Philippines	1 Mar.—31 July 1957	Japan: textiles (cotton, flax and rayon), steel products, machinery, porcelain etc. Philippines: lumber, iron ore, copper ore, abaca, jute etc.	On dollar open account basis, with a swing limit of $2.5 million.	The 18 May 1950 trade and financial agreement, last extended in December 1956 up to 28 February, was further extended in March, April and July up to 31 July 1957. With the termination of the agreement dollar cash settlement method was adopted as from 1 August 1957.
Japan—Thailand	Mar.—June 1957	80,000 tons of Thailand's rice, valued at about $9.96 million.		Signed in Bangkok on 25 February 1957.
Japan—Thailand	Through 1958	Japan: cotton textiles, machinery and parts, building materials, aluminium, porcelain, glassware etc. Thailand: rice, salt, peanut, soya beans, castor seeds, timber, sticklac, seedlac, ramie etc.	Payment in dollars or pounds sterling, or in any other currency as may be agreed upon.	Trade arrangement, signed in Bangkok on 28 December 1957, reaffirming the principle of reciprocal most-favoured-nation treatment and providing for automatic renewal of the arrangement for each calendar year unless terminated on three months' notice. The two governments will also make efforts to achieve expansion and balance of trade.
Malaya (Fed. of) — Thailand	Dec. 1957	10,000 tons of Thailand's rice, valued at £355,000.		Signed in Bangkok on 14 December 1957.
Pakistan—Thailand	June—July 1957	25,000 tons of Thailand's rice, valued at about £0.9 million.		Signed in Bangkok in May 1957.
Pakistan—Thailand	1958—1959	100,000—200,000 tons of Thailand's rice each year.		Two-year agreement, signed in Bangkok in July 1957, effective as from 1 January 1958.
Philippines—Thailand	Apr.—July 1957	20,000 tons of Thailand's rice.		Two agreements, signed in Bangkok in April 1957, each for 10,000 tons.
Philippines—Thailand	Sep.—Oct. 1957	6,300 tons of Thailand's rice.		Signed in September 1957.
Philippines—Viet-nam (southern)	1957	10,000 tons of Viet-Nam's rice, valued at about $1.5 million.		Signed in Saigon on 26 September 1957.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Afghanistan—Czechoslovakia	1 Aug. 1957 — 31 July 1958	Total value: $15 million each way. Afghanistan: cotton (about 1,600 tons), cotton seeds (about 3,000 tons), oil seeds, wool, hides, dried nuts, etc. Czechoslovakia: machinery, diesel motors, motor-cycles, telecommunication equipment, and textiles.		Trade protocol, signed in Prague on 1 July 1957, envisaging a threefold increase in the volume of trade between the two countries for 1957 compared with 1955.
Afghanistan—USSR	1957—1958	Afghanistan: cotton, wool, dried fruit, oil seeds, and raw hides. USSR: petroleum products, ferrous metals, building materials, motor-cars, industrial equipment, textiles etc.		Two-year trade protocol, signed in Kabul on 7 January 1957, providing for an increase in the range and volume of goods exchanged.
Burma—Czechoslovakia	1957	5,000 tons of Burma's rice.		Signed in Rangoon on 5 July 1957.
Burma—Israel	Ending 31 Dec. 1957	Burma: rice (8,000 tons) and soft hardwood. Israel: building materials, hardware, machinery, motor-cars, electrical appliances, tyres and tubes, chemicals, textiles, foodstuffs etc., equivalent in value to the rice and soft hardwood to be bought from Burma.	Payment in pounds sterling.	Second protocol, signed on 15 January 1957 in pursuance of the trade agreement concluded on 15 December 1955. The term of the first protocol under the agreement expired on 14 December 1956.
Burma—Mauritius	1957	50,000 tons of Burma's rice, valued at about £1.96 million.		Signed in Rangoon on 13 February 1957.
Burma—Seychelles	1957	1,500 tons of Burma's rice, valued at £38,587.		Signed in Rangoon on 3 May 1957.
Burma—Sierra Leone	1957	3,000 tons of Burma's rice, valued at £112,650.	On cash basis.	Signed in Rangoon on 5 July 1957.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Burma—USSR		100,000 tons of Burma's rice, valued at about £3.38 million.		Signed on 9 February 1957. The Burmese Trade Development Minister, opening an exhibition of Soviet-manufactured goods in Rangoon in July 1957, said that Burma was exporting rice to USSR in exchange for Soviet machinery, textiles and consumer goods.
Burma—Yugoslavia	1957	30,000 tons of Burma's rice, valued at about £1.23 million.		Signed in Rangoon on 17 May 1957.
Cambodia—Poland				Trade agreement, signed in Phnom-Penh on 17 December 1957. An agreement on scientific and technical co-operation was signed at the same time.
Cambodia—USSR				Trade agreement, signed in Phnom-Penh on 31 May 1957.
Ceylon—Czechoslovakia	Up to 16 June 1958	Total value: not less than £2 million annually each way. Ceylon: tea, rubber, coconut oil, copra, desiccated coconuts, coir fibre, cocoa beans, graphite etc. Czechoslovakia: machinery, equipment for hydroelectric power stations, rolling stock, motor-cars, hardware, building materials, paper, telephones and automatic exchanges, chemical products, sugar etc.	The amount in excess of a swing credit of £500,000 to be paid in goods within three months, or, at the end of the three-month period, in transferable pounds sterling or other agreed currency immediately at the request of the creditor party.	Letters exchanged in Colombo on 30 May and 14 December 1957, extending 16 December 1955 agreement up to 16 December 1957 and 16 June 1958 respectively. The original agreement also provides for reciprocal most-favoured-nation treatment.
Ceylon—Egypt (—Japan)		1.2 million Egyptian pounds' worth of Ceylon's tea to Egypt.	Ceylon to get payments from Japan who will import cotton of equivalent value from Egypt.	A tripartite trade agreement, signed in Cairo on 2 September 1957 between Ceylon, Egypt and Japan.
Ceylon—Germany (western)	1 Apr. 1957 — 31 Mar. 1958	Ceylon: coconut products, tea, rubber, spices, essential oils, graphite, crude drugs, kapok, etc. Germany: not specified.		Letters exchanged in Colombo on 20 March 1957, revising the lists of commodities exportable from Ceylon to Germany annexed to 1 April 1955 agreement, on account of the extension of German import liberalization.
Ceylon—Italy	1 June 1957 — 31 May 1958	Ceylon: tea, rubber, coconut products, spices, essential oils, graphite, papain etc. Italy: machinery, motor vehicles, precision instruments, stationery, textiles, chemical products, hardware, fruits and vegetables etc.	Payment to be settled in pounds sterling.	Signed in Colombo on 23 April 1957, subject to ratification. The agreement also provides for reciprocal most-favoured-nation treatment. It may be extended for a further year by agreement two months before its expiry.
Ceylon—Poland	27 March 1957—	Ceylon: tea, rubber, fresh coconuts, copra, coconut oil, coconut fibre, spices, graphite etc. Poland: sugar, cement, iron and steel products, machinery, coal, ships, textiles, plywood etc.	The amount in excess of a swing credit of £400,000 to be paid in goods within three months or in pounds sterling within six months. Exporters in each country to be paid in their own currency.	Extension of 2 December 1955 trade and payments agreements by an exchange of letters in London on 29 July 1957. The original trade agreement, which became effective on 27 March 1956, also provides for reciprocal most-favoured-nation treatment.
China (Taiwan)—Chile		China: sugar, tea and aluminium. Chile: nitrate, copper and steel.	On barter basis.	A joint communique, issued in Taipei on 9 April 1957.
China (Taiwan)—France	May 1957—May 1958	China: tea, citronella oil, canned pineapples, camphor etc. France: chemical fertilizers, medical products, dye products, machinery and tools etc.	Payment in dollars or pounds sterling.	The 12 May 1954 trade and payments agreement, as revised on 5 May 1956, was extended in June 1957 for another year.
China (Taiwan)—Greece	30 Nov. 1957 — 29 Nov. 1958	China: sugar, rice, tea and camphor. Greece: tobacco, cotton, gypsum, resin etc.	Payment in dollars.	Signed in Athens on 30 November 1957. Most-favoured-nation treatment mutually accorded. Efforts to be made to balance the trade.
China (Taiwan)—Italy	2 Feb. 1957 — 1 Feb. 1958	Total value: $15 million. China: tea, camphor, jute, ramie, citronella oil etc. Italy: factory equipment, machinery, automobiles, tyres, cloth of artificial fibre and cotton, etc.	Payment in dollars.	Signed in Rome on 2 February 1957 for one year. The agreement may be tacitly renewed annually unless terminated on three months' notice.
China (Taiwan)—Lebanon	One year	China: sugar, tea, cotton textiles, paper, aluminium and products, camphor, hog bristles, citronella oil, electric fans, sewing-machines etc. Lebanon: vegetable oils, tobacco leaf, hides and leather, dried peas, cement, cocoons, animal glue, metal cables etc.		Signed in Beirut on 6 April 1957. Favourable treatment mutually accorded. The agreement, effective as soon as legislative procedures are completed by the two countries, will be automatically extended for one year each time unless terminated on two months' notice.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
China (Taiwan)—Morocco	27 May 19b7 — 26 May 1958	Total value: $4 million each way. China: sugar, tea etc. Morocco: wool, phosphate rock, super- and hyper-phosphates, vegetable hair, cork etc.	Payment in dollars or pounds sterling.	Signed in Rabat on 27 May 1957. Favourable treatment mutually extended.
China (Taiwan)—Spain	3 Dec. 1956 — 2 Dec. 1957	China: canned pineapple, tea, camphor, citronella oil and aluminium. Spain: typewriters, electrical appliances and medical supplies.	A payment account to be established and settlement effected whenever the limit of $300,000 is reached.	Concluded by an exchange of notes in Madrid on 3 December 1956.
China (Mainland)—Albania	Through 1957			Trade protocol, signed in Peking on 8 March 1957.
China (Mainland)—Bulgaria	Through 1957	China: industrial raw materials and household items. Bulgaria: non-ferrous metals, chemicals, textiles and pharmaceuticals.		Signed in Peking on 28 January 1957.
China (Mainland)—Bulgaria	1958—1960			Signed in Peking on 11 October 1957.
China (Mainland)—Czechoslovakia	Through 1957	China: mineral products, oils and fats, oil-seeds, hides and leather, hemp and jute, silk, tobacco, tea, foodstuffs, raw materials for chemical industry, etc. Czechoslovakia: sugar-cane mills, railway carriages, power stations, various kinds of steel materials and steel plates, machine cutting tools, welding machines, turbines, agricultural machines, steel rails, machine oil, chemical products, etc.		Signed in Prague on 6 March 1957. Trade volume to be larger than in 1956.
China (Mainland)—Denmark				First trade agreement, signed in Peking on 1 December 1957. Most-favoured-nation treatment mutually granted.
China (Mainland)—Egypt	One year	Total value: £13 million each way. China: soya beans, meat, vegetable oils, timber, tobacco, tea, iron, trucks, machinery etc. Egypt: cotton, cotton yarn, textiles, rice etc.	Balance to be settled in currency acceptable to the creditor party.	Third protocol under 1955 agreement, signed in Peking on 21 December 1957.
China (Mainland)—Finland	1 Nov. 1957 — 31 Oct. 1958	Total value: 100 million rubles. China: soya beans, fats and oils, tea, egg products, fruits, canned goods, silk, tin, animal products, handicrafts etc. Finland: paper, chemical pulp, artificial fibres, copper and machinery.		Signed in Peking on 18 December 1957.
China (Mainland)—Germany (eastern)	Through 1957	China: minerals, non-ferrous metals, foodstuffs, animal products, silk fabrics, tea, handicraft articles etc. Germany: complete sets of industrial equipment, machinery, instruments and chemicals.		Signed in Peking on 5 April 1957
China (Mainland)—Germany (eastern)	1958	Delivery and supply by Germany of whole sets of equipment for power stations, cement plants, factories of light industry, and others.		Protocol, signed in Berlin on 26 September 1957, forming part of a trade agreement to be concluded.
China (Mainland)—Hungary	Through 1957	China: minerals, farm products, chemical and textile raw materials, hides etc. Hungary: power station and telecommunication equipment, radio transmitters, machine tools, vehicles, geological prospecting and other apparatus, agricultural machines, chemical and medical products etc.		Signed in Budapest on 8 June 1957.
China (Mainland)—Morocco	Through 1958	China: tea, cotton cloth, machinery and silk. Morocco: phosphate, superphosphate fertilizer, frozen mutton, cotton, wheat, canned sardines and olive oil.		Concluded in Peking in October 1957.
China (Mainland)—Outer Mongolia	Through 1957	China: machinery, carpenters' tools, satins and brocades, woollen and cotton fabrics, dried and fresh fruits etc. Outer Mongolia: horses, wool and hair, skins and hides, intestines and casings etc.		Signed in Peking on 22 December 1956.
China (Mainland)—Poland	Through 1957	Total value: 310 million rubles. China: iron ore, minerals, non-ferrous metals, raw materials for chemical and textile industries, tea, tobacco, silk textiles etc. Poland: complete sets of industrial equipment, rolled products, vessels, lathes, digging machines, tractors, chemicals etc.		Signed in Warsaw on 1 April 1957.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
China (Mainland)—Romania	Through 1957	China: minerals, hides, jute, silk and woollen textiles etc. Romania: power-generating equipment, drilling equipment, petroleum products, chemicals etc.		Signed in Peking on 19 April 1957.
China (Mainland)—Sweden		China: hides, oils and fats, spices, handicraft products, chemicals, textiles, fibres, minerals etc. Sweden: food, wood products, machinery, iron and steel, metal products, instruments, electrical equipment, chemicals, hospital supplies etc.	Payment in Swedish kronor or pounds sterling.	First trade agreement, signed in Stockholm on 8 November 1957. Most-favoured-nation treatment provided.
China (Mainland)—Syria	5 Dec. 1957 — 4 Dec. 1958	China: iron and steel products, building materials, chemical and pharmaceutical products, silk etc. Syria: cotton, cotton seeds, string and cord, cereals etc.	Payment in pounds sterling, effected by direct clearing arrangements between the People's Bank of China and a bank nominated by the Syrian Government.	Protocol revising the 30 November 1955 trade and payment agreement to accord full diplomatic privileges and immunities to each other's commercial representative and designate the Banque Central Syrie in lieu of the Banque Syrie et Leban to operate the payments accounts, signed in Damascus on 3 July 1957, effective as from 5 December 1957 on ratification. The original agreement, with a most-favoured-nation clause, also provides for automatic renewal by tacit agreement after the initial one-year period of validity.
China (Mainland)—USSR	Through 1957	China: tungsten, molybdenum, tin, mercury, non-ferrous metal ore concentrates, cement, sulphur, chemical products, tung oil, wool, raw silk, woollen and silk fabrics, knitted goods, pig bristles, soya beans, tea, cured tobacco, citrus fruits, handicrafts etc. USSR: machine tools, forging and pressing equipment, oil-drilling and mining equipment, geological surveying and other scientific instruments, electrical equipment, excavators, petroleum and products, steel products, non-ferrous metals, chemicals, medical equipment and medicines etc.		Trade protocol, signed in Moscow on 11 April 1957.
China (Mainland)—Yugoslavia	Through 1957	Total value: £7 million, representing a 40 per cent increase over 1956. China: tin, non-ferrous metals and minerals, asbestos, hides, soya beans, ground-nuts, tung oil, raw silk, dried eggs, sugar etc. Yugoslavia: textiles, tobacco, machinery, medicines, medical instruments, chemicals, plastics, hardware etc.		Protocol, signed in Peking on 4 January 1957 for extension of 17 February 1956 trade and payments agreement.
India—Austria	1 July 1957 — 30 June 1958	India: walnuts, kapok, raw wool, pig bristles, cotton-seed oil, crushed bones, bladders and guts, tea, carpets, hydrogenated oil, castor oil, coir and manufactures, handicraft products, manufactures of ivory, raw cotton, spices, cashew-nuts, leather, sports goods, shellac, linseed oil, myrobalans, iron and manganese ores, mica etc. Austria: building and engineering materials, wool and woollen goods, newsprint, high-grade steel and alloy steel, hardware tools, instruments and apparatus, machinery etc.	Payment in pounds sterling.	Letters exchanged in Vienna in August 1957, extending the validity of 9 December 1952 agreement (which was last extended on 6 September 1956, valid up to 30 June 1957) for a further period of one year and stipulating for freely licensed importation of some additional items into Austria from India.
India—Bulgaria	Through 1957	India: iron and manganese ores, lac, tea, coffee, tobacco, spices, hides and skins, oil and oil-seeds, raw cotton, jute manufactures, sports goods etc., and new items such as cigars and cigarettes, cashew-nuts, cashew kernels and shell oil, tapioca and products, silk and rayon textiles and manufactures, plastic goods, hardware, paints and lacquers etc. Bulgaria: various kinds of machines such as woodworking, metal working, forging pressing, agricultural, etc.; chemicals, paints, drugs and medicines; electrical instruments; machinery equipment; diesel engines etc.; and such new items as ferrous metals and products, alloy ribbons and complete plants.	Payment in rupees.	Letters exchanged in New Delhi on 20 June 1957, revising for 1957 the Schedules attached to the 18 April 1956 trade and payments agreement, which will remain valid up to 31 December 1959.
India—Czechoslovakia	1 Jan.—30 Sep. 1957	India: tea, spices, tobacco, cashew-nuts, vegetable oils, shellac, rayon and cotton textiles, carpets, skins, mica, iron and manganese ores etc. Czechoslovakia: chemicals, machinery and millwork, engineering and metallurgical equipment, tractors, machine tools, diesel engines, glass, paper etc.	Payment in rupees or pounds sterling. Balance convertible into sterling.	The 17 November 1953 trade agreement, last extended up to the end of 1956, was further extended up to 31 March and 30 September 1957 by exchange of letters on 25 January and 3 June respectively.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
India—Czechoslovakia	1 Oct. 1957 — 31 Dec. 1960	India: ores, spices, skins, vegetable oils, cashew-nuts, tea, coffee, textiles (cotton, rayon and woollen), plastic goods, sports goods, coir products, jute manufactures, linoleum, leather goods, cigars and cigarettes, handloom fabrics, handicrafts, Indian films etc. Czechoslovakia: machinery, machine tools, diesel generating sets, marine type diesel engines, agricultural tractors, textile machinery, paper and newsprint, dye-stuffs, cameras and appliances, domestic hardware, abrasive materials, narrow-gauge diesel locomotives, films etc.	Payment in rupees. Balance convertible into pounds sterling.	Signed in New Delhi on 30 September 1957. The agreement will be valid up to the end of 1960 and can be extended.
India—Egypt		India: jute goods, tea, pepper, tobacco, electric fans, diesel engines, centrifugal pumps, dry batteries, chemical and pharmaceutical products etc. Egypt: cotton and cement.	Payment in rupees. A special rupee account, to be operated by the State Trading Corporation of India, will be used for purchasing cotton and cement from Egypt and the sale proceeds will be used to promote export of India's goods to Egypt.	Trade measures, concluded in New Delhi in April 1957. The special rupee account was opened on 24 April 1957.
India—Finland	Through 1957	India: tobacco, hides and skins, cashew-nuts, spices, jute goods, tea, coffee, shellac, coir yarn and manufactures, myrobalan and extracts, vegetable oils, handicrafts and cottage industry products, cotton textiles, tapioca and products, mica, raw wool and woollen carpets, kapok, coal, iron ore etc. Finland: mechanical and chemical wood pulp, newsprint, paper and paper products, boards, stationery, household and sanitary porcelain, steel files machinery for farming, woodworking, plywood and road making, electrical and telecommunication cables, pulp and paper and board mill machinery etc.	Balance to be settled in pounds sterling.	Letters exchanged in New Delhi on 21 March 1957, extending the validity of the trade arrangements of 12 January 1951 and 2 September 1952 for a further period of one year with revised schedules. Last extension was made on 16 March 1956 for a period of one year up to 31 December 1956.
India—Germany (eastern)		India: jute goods, tea, coffee, mica, chemicals, wool, hides and skins, handloom cloth, leather goods, machine tools, tobacco, handicrafts, fans, sewing-machines and other electrical appliances. Germany: essential machinery (particularly textile machinery) and industrial raw materials.	Germany will open a Special Trade Development Account with the Reserve Bank of India, to which the rupee proceeds of contracts for import of the goods from Germany will be credited. The rupee balances in the account will be utilized only for payment of exports from India.	This arrangement was made in New Delhi on 16 July 1957 for promoting trade between the two countries. It does not affect the operation of other Accounts stipulated in the 8 October 1956 trade agreement. And all the transactions under this arrangement will be governed by the agreement except for the procedure governing payments.
India—Germany (western)	1 Apr. 1957 — 31 Mar. 1958	India: twines, ropes, cordage and cables of jute, finished cotton fabrics, cotton furnishings and towellings, silk and art silk fabrics, woollen fabrics, cotton blankets, knotted carpets of textiles other than silk, wool, fine animal hair and coir, tanned leather from hides and calf skins, finished leather from sheep and goat skins, pineapple juice, canned tropical fruits, roasted and salted ground-nuts, cashew-nuts, almonds etc. Germany: machine tools, rolled steel products, printing machines, dyes, fertilizer, electrical machinery and parts, textile machinery and parts, surgical and optical instruments, photographic equipment and films etc.	Payment in pounds sterling.	Letters revising the Annexure to the 31 March 1955 trade agreement were exchanged in New Delhi on 16 April 1957. The original agreement will remain in force until termination by a 3-months' notice, subject to its annexure concerning Indian exports being revised every year according to quantitative restrictions in Germany.
India—Hungary	Through 1957	India: tobacco and manufactures, tea, coffee, pepper, tapioca and products, cashew-nuts and cashew shell oil, cotton-seed oil, cordage and ropes, silk and rayon textiles and manufactures, shellac, wool, bristles, hides and skins, hardware, light engineering goods, paints and lacquers, canned fruits etc. Hungary: dyes, electrical equipment, textile machinery, tractors and agricultural machinery, laboratory equipment etc.	Payment in rupees or pounds sterling.	Letters exchanged in New Delhi on 11 April 1957, extending the validity of the Schedules attached to the 17 June 1954 agreement for a further period of one year ending 31 December 1957 with some modifications.
India—Iraq	Through 1957	India: food and agricultural products, timber and products, textiles, fibres and bristles, rubber products, hides and skins and products, ceramics, glassware, chemicals and products, minerals and ores, machinery and metal products etc. Iraq: animals, cotton, foodgrains, dates, gallnuts and hides and skins.		Letters exchanged in Bagdad on 5 March 1957, extending the 6 May 1953 trade agreement for a further period of one year from 1 January 1957. The original agreement also provides for reciprocal most-favoured-nation treatment.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
India—Italy	Through 1957	India: tea, tobacco, coal, mineral ores, lac and shellac, goat and sheep skins, hydrogenated oils, essential oils, cotton, silk waste, drugs and medicines, leather footwear, carpets, coir and manufactures, sports goods etc. Italy: preserved foodstuffs, artificial silk yarn and fabrics, staple fibre, haberdashery, manufactures of aluminium and alloys thereof, magnesium alloys and manufactures thereof, railway rolling stock, various kinds of machinery, machine tools etc.	Payment and settlement to be regulated in accordance with the Sterling Payment Agreement between the Government of United Kingdom and the Government of Italy in force at the time of remittance.	Letters exchanged in New Delhi on 11 February 1957, extending the validity of the 29 July 1954 trade arrangement, as amplified in letters exchanged on 14 December 1955, for a further period of one year ending 31 December 1957.
India—Norway	Up to 31 Dec. 1958	India: tea, coffee, tobacco, jute goods, coir products, hydrogenated oils, shellac, mica, iron and manganese ores, woollens, carpets, tanned hides and skins, cotton and woollen textiles, light engineering goods, plastic manufactures, hardware, sports goods etc. Norway: mechanical and chemical pulp, newsprint, aluminium manufactures including aluminium boats, galvanized and black steel pipes, testing machines, welding equipment, marine-type diesel engines, machine tools, fishing vessels, calcium carbide, urea formaldehyde etc.	Payment in pounds sterling.	Letters exchanged in New Delhi on 17 December 1957, extending the validity of 24 June 1955 arrangement for a period up to 31 December 1958 and revising the attached schedules.
India—Poland	Through 1957	India: iron and manganese ores, mica, shellac, myrobalan and extracts, tea, coffee, tobacco, spices, hides and skins, raw cotton, cotton textiles, raw wool, wool waste, jute goods, flax manufactures, paints and lacquers, bristles, plastic goods, electrical accessories, hardware, canned fruits, cashew shell oil, handicrafts and cottage industry products etc. Poland: machinery for building and road building, textile, drilling, milling and welding etc.; complete plants and equipment, such as sugar refineries, alcohol distilleries, machine tool plants, railway rolling stock plants, electrical apparatus plants, iron and steel structures, diesel engines, electric motors, agricultural implements and tractors, glass and glassware, optical and medical instruments, industrial materials, chemicals etc.	Payment in rupees. Balance convertible into sterling.	Letters exchanged in New Delhi on 1 March 1957, extending the Schedules attached to the 3 April 1956 trade agreement for a period of one year with some modifications. The original agreement will remain valid up to 31 December 1959.
India—Sweden	Through 1957	India: cotton textiles, silk and rayon fabrics, jute goods, wool and woollen manufactures, coir and products, cotton waste, leather goods, myrobalan and extracts, sports goods, vegetable oils, hydrogenated oil, spices, tea, coffee, tobacco, cigars and cigarettes, tapioca and products, shellac, manganese ore and magnesite, kyanite, chrome and iron ores, coal, paraffin wax, linoleum, bristles, cottage industry products, cashew kernels etc. Sweden: foodstuffs, building materials, chemicals and pharmaceuticals, hides, skins, leather and manufactures, chemical and mechanical pulp, newsprint, cardboard, wallboard, textiles (rayon, wool and silk), iron and steel, metal manufactures, various kinds of machinery and equipment, electrical equipment, domestic wireless receiving sets, gramophones, refrigerators, railway rolling stock and locomotives, hospital equipment, office machinery and equipment etc.		Letters exchanged in New Delhi on 1 June 1957, revising the Schedules attached to the 31 May 1955 trade arrangement for 1957.
India—USSR	2 Dec. 1956 — 1 Dec. 1957	India: tea, coffee, tobacco, shellac, spices, cashew-nuts, wool, woollen fabrics, hides and skins, footwear, vegetable and essential oils, hydrogenated oils, mica, etc. USSR: foodgrains (wheat and barley), crude petroleum and petroleum products, timber, paper, iron and steel manufactures, aluminium, rough emeralds, chemicals, dye-stuffs, medicaments, optical goods, various kinds of industrial equipment including boring, mining and road-building equipment, excavators, compressors, electrical equipment, equipment for textile, shoe, food and polygraphic industries, tractors and agricultural machinery, machine tools and instruments etc.	Payment in rupees. Balance convertible into pounds sterling.	Letters exchanged in New Delhi on 30 January 1957, extending for 1957 the Schedules attached to the 2 December 1953 trade agreement, with some additions. The original agreement will remain valid up to 2 December 1958.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
India—Yugoslavia	Through 1957	India: iron ore, manganese ore, mica, shellac, myrobalan and extracts, tea, coffee, tobacco, spices, hides and skins, cotton textiles, raw cotton, raw wool, wool waste, jute goods, flax manufactures, paints and lacquers, bristles, electrical accessories and appliances, hardware, cashew shell oil, handicrafts and cottage industry products etc. Yugoslavia: foodstuffs, timber, wooden furniture, cotton sewing thread, woollen and artificial silk fabrics, chemicals, pharmaceutical products, glass and glassware, dyeing and tanning substances, insulators, iron and steel products, rolling stock, wagons, rails, copper and zinc products, non-ferrous alloys and manufactures, steam boilers, diesel and steam locomotives and tractors, turbines, motors, electrical goods, medical apparatus and instruments, machinery, cranes, ships, cement etc.	Payment to be settled in rupees or pounds sterling.	Letters exchanged in New Delhi on 19 June 1957, extending the Schedules attached to the 31 March 1956 trade agreement for 1957 with some modifications. The original agreement, which also provides for reciprocal most-favoured-nation treatment and close scientific and technical co-operation, will remain valid up to 31 December 1959.
Indonesia—Egypt	Mar. 1957—Mar. 1958	Indonesia: rubber, tea, coffee, copra, sugar, tin etc. Egypt: cotton, cotton textiles, cement etc.		Extension of the March 1956 trade agreement, announced in a joint statement issued in Djakarta on 8 April 1957.
Indonesia—Hungary	16 Oct. 1957 — 15 Oct. 1958	Indonesia: tin, rubber, copra, tea, coffee, palm-oil, tobacco, sugar, pepper, rattan, resin, kapok, tapioca, wood, spices, petroleum and products etc. Hungary: various kinds of machinery and equipment such as aluminium factories, iron, steel and metal foundries, chemical works, sugar factories, rice-hulling mills, refrigerating and ice plants, electrical factories, cement factories, drilling equipment etc., power plants, power distribution materials, railway materials, motor vehicles, ships and boats, sewing-machines, medical and pharmaceutical articles, chemicals, stationery, textiles etc.	Payment in transferable pounds sterling.	Signed in Djakarta on 16 October 1957. The agreement, valid for one year, may be extended for another year if no notice of termination is given 3 months before its expiry.
Indonesia—Italy	Aug.—Dec. 1957	50,000 tons of Italy's rice.		Signed in July or August 1957.
Indonesia—Sweden	1 Dec. 1956 — 31 May 1958	Indonesia: coffee, tea, copra, desiccated coconuts, spices, tobacco, palm-oil, oilcakes, rubber, gums and resins, rattan, tin etc. Sweden: foodstuffs, textiles, leather and manufactures, chemicals, building materials, iron and steel, metal manufactures, machinery and equipment, means of transport etc.		Extension of 1955 agreement, announced in Djakarta on 5 July 1957, with retroactive effect from 1 December 1956.
Indonesia—Yugoslavia	14 Dec. 1956 — 13 Dec. 1957	Indonesia: rubber, copra, desiccated coconuts, coffee, tea, tobacco, pepper, spices, cocoa beans, vegetable oils, sugar, gums and resins, rattan, tanning materials, tin, petroleum products etc. Yugoslavia: chemicals, pharmaceuticals, tanning extracts, textiles, paper, plate glass and glassware, iron and steel goods, copper products, aluminium, lead and zinc products, farm machinery and tools, diesel engines and generating sets, building and mining machines and equipment, electric motors and installation materials, railway equipment, bicycles and trucks, ships etc.	Payment in transferable pounds sterling.	Signed in Belgrade on 14 December 1956. Reciprocal most-favoured-nation treatment provided. The agreement, valid for one year, may be tacitly extended for another period of one year.
Japan—Australia	6 July 1957 — 5 July 1960	Japan: textiles, iron and steel products, machinery, pottery, food etc. Australia: wool, wheat and barley, sugar, tallow, hides, skim milk, dried vine fruits etc.		Signed in Tokyo on 6 July 1957. The agreement provides, *inter alia*, for (a) reciprocal most-favoured-nation treatment in tariff matters and non-discriminatory treatment in import control and exchange control matters; (b) suspension by one party, after consultation with the other, of its obligations if imports from the other threaten serious damage to its domestic industry; (c) continuance of the present duty-free entry into Japan of Australian wool for three years; and (d) termination of the agreement on or after 6 July 1960 on three months' notice.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Japan—Brazil	1 Feb.—31 Dec. 1957	Total value: $35 million each way annually. Japan: iron and steel products, non-ferrous metals, chemicals, textiles, machinery, ships, marine products etc. Brazil: raw cotton, rice, hides and skins, coffee, soybean, raw wool, vegetable oils etc.	Open account based on dollar.	The 1952 trade and payments agreement, once due to be terminated on 30 June 1956 but then twice extended up to 31 January 1957, was further extended in January, April, June and September up to 31 December 1957.
Japan—France	15 Nov. 1957 — 14 Nov. 1958	Japan: raw silk, chemical fibre goods, essential oils, tea, metals, agar-agar, pearls and precious stones, silk fabrics, machinery for the rice and silk-spinning industries, etc. France: phosphate rock, coffee and cocoa beans, oil seeds, textile and other materials, cereals, dye-stuffs, cement, nickel ore, iron and steel products, machine tools, chemical and pharmaceutical products, perfumery products, etc.	Payment in transferable pounds sterling or French francs.	First trade agreement since Second World War, signed in Paris on 15 November 1957.
Japan—Greece	1 Apr. 1957 — 31 Mar. 1958	Total value: $2.5 million each way. Japan: machinery, ships, metal goods, pottery, canned fish etc. Greece: dried fruits, leaf tobacco, raw cotton etc.	Open account in dollars, with a swing limit of $500,000.	Notes exchanged in Athens on 14 August 1957, extending the 20 September 1956 agreement for one year retroactively from 1 April.
Japan—Italy	Jan.—June 1957	Japan: iron and steel products, non-ferrous metals, electrode, textiles, agricultural and aquatic products, chemical products, drugs, machinery, paper products etc. Italy: rice, food and vegetable products, salt, non-metallic minerals, chemical products and drugs, machinery parts, motor-cars and parts, textiles, cork etc.	Payment in sterling or dollar.	Letters exchanged on 28 February 1957, extending the validity of 18 October 1955 protocol for a further period of six months.
Japan—Norway	14 Oct. 1957 — 13 Oct. 1962			Treaty of Commerce and Navigation, signed in Tokyo on 28 February, ratified on 14 September and effective for five years as from 14 October 1957. Reciprocal most-favoured-nation treatment provided.
Japan—Sweden	1 Apr. 1957 — 31 Mar. 1958	Japan: cotton fabrics, ships, iron and steel, toys, woollen yarn, medical and optical apparatus, porcelain insulators, electric machinery etc. Sweden: machinery, iron and steel products, pulp, resin, office machines, medicines etc.	Payment in dollars, pounds sterling or Swedish kronor.	Signed in Tokyo on 1 June 1957. Japan to continue extending to imports from Sweden the same treatment as given to imports from the sterling area, and Sweden to continue treating imports from Japan substantially the same as those from OEEC countries.
Japan—USSR	6 Dec. 1957 — 5 Dec. 1958	Total value: $28 million or more each way. Japan: vessels, rolling stock, fish processing and fish canning equipment, optical instruments, bearings, rolled ferrous metals, cables, textiles, chemicals etc. USSR: lumber, coal, mineral ores, crude oil, fertilizers, chemical goods, machines, industrial equipment etc.	Payment in pounds sterling.	Signed in Tokyo on 6 December 1957. At the same time was signed a treaty of commerce, valid for five years, which provides for reciprocal most-favoured-nation treatment and establishment of a USSR trade mission in Japan, the chief of which and two assistants will be accorded diplomatic privileges.
Japan—United Kingdom	1 Oct. 1956 — 31 Mar. 1958	Total value: Japan's exports to and imports from the United Kingdom were fixed at £300 million and £330 million a year respectively. Japan: canned fish such as salmon, tuna, sardines etc.; canned crabmeat, canned fruit such as peaches, mandarin oranges etc.; tomato ketchup; vinegar; beer; cultured and artificial pearls; plastic goods; ivory products; whale-oil; cotton and rayon grey cloth, wearing apparel; ball bearings; cameras etc. United Kingdom: wool textiles, whisky, confectionery, machinery, motor vehicles and parts, foodstuffs, chemicals, sports goods etc.	Payment in pounds sterling.	Trade arrangement, concluded in London on 26 February 1957, effective for a period of one year beginning 1 October 1956. It was extended on 18 October 1957 for another six months up to 31 March 1958.
Japan—United States	1957—1961	Annual ceiling for Japan's cotton textile exports to US set at 235 million square yards (113 million for cotton cloth and 122 million for made-up products).		This control plan, announced by the two Governments on 16 January 1957, will be in force for a period of five years beginning 1 January 1957. It may be adjusted after annual review except for velveteens and ginghams for which quotas are pegged at 2.5 million and 35 million sq. yds. respectively.
Japan—Uruguay	28 Apr. 1957 — 27 Apr. 1958	Japan: textiles, machinery, metal products etc. Uruguay: wool, hides, oils and fats, casein, rice etc.	Payment in pounds sterling or dollars.	Further extensions of May 1949 provisional arrangement in April and October 1957, each time for a period of six months.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Korea (northern) —Bulgaria	Through 1957	Korea: metal alloys, natural silk etc. Bulgaria: cables, pharmaceutics, cement, glass etc.		Signed in December 1956.
Korea (northern) —Bulgaria	1958—1960			Signed in Pyongyang on 28 September 1957. A trade protocol for 1958 was signed at the same time.
Korea (northern) —Czechoslovakia	Through 1957	Korea: non-ferrous metal ores, corundum, oil-seeds, tobacco etc. Czechoslovakia: machinery and instruments, electric wire, medical apparatus, chemicals, textile products etc.		Signed in Prague on 13 February 1957. The exchange of goods in 1957 will be 12 per cent higher than in 1956.
Korea (northern) —Egypt		Korea: structural steel, electrolytic lead and zinc, ammonium sulphate fertilizer, carbide, graphite, magnesia clinker, plumbic oxide, naphthaline, corn starch, dried and salted fish, ginseng etc. Egypt: ginned cotton, cotton yarn and fabrics, rayon yarn and fabrics, woollen fabrics, dyes, spices, leather and leather goods, manganese, gypsum etc.		Signed in Pyongyang on 10 December 1957.
Korea (northern) —Germany (eastern)	1957—1961	Korea: non-ferrous metals, silicon iron, tobacco, hops, canned fish, fish powder etc. Germany: machinery, equipment for chemical and artificial fibre industries, precision machines, optical instruments, medicaments, film etc.		Two agreements, one for 1957 and the other for 1958-1961, signed in Berlin on 22 February 1957 simultaneously.
Korea (northern) —Hungary	Through 1957	Korea: metals, chemicals, silk material, medical herbs, oil-bearing seeds etc. Hungary: industrial equipment, experimental apparatus, electric equipment, radios, medicaments etc.		Signed in Budapest in March 1957. Trade to be increased by 30 per cent over 1956.
Korea (northern) —Outer Mongolia	Through 1957	Korea: textile products. Outer Mongolia: cattle and meat products.		Concluded in December 1956.
Korea (northern) —Outer Mongolia	Through 1958			Signed in Ulan Bator on 2 November 1957.
Korea (northern) —Poland	Through 1957	Korea: zinc concentrates, mica, magnesia clinker, squamous graphite etc. Poland: motors, optical instruments, medical apparatus and material, zinc plates, locomotive and rolling stock spare parts etc.		Signed in Warsaw on 26 April 1957.
Korea (northern) —Romania	1957—1960	Korea: various kinds of ores, metal alloys, high speed steel, non-ferrous metals, chemical products, vegetable oils, plant fibre, fish etc. Romania: oil refinery and other industrial equipment, crude oil products, machines and instruments, electrical appliances, chemical products, metal products etc.		Signed in November 1956.
Korea (northern) —USSR	Through 1957	Korea: lead, zinc concentrates, non-ferrous metal ore, pig iron alloys, chemical products, fruit, furs etc. USSR: industrial equipment, automobiles, oil products, pipes, cables, chemicals, rubber products, medicament, superphosphate of lime, cotton etc.		A protocol, signed in Pyongyang on 22 April 1957. The volume of commodity exchange to be increased substantially in 1957 over 1956.
Korea (southern) —United States	7 November 1957—			Treaty of Friendship, Commerce and Navigation, signed in Seoul on 28 November 1956, ratified on 7 October 1957, and effective as from 7 November 1957. Reciprocal non-discriminatory treatment of trade and shipping, and participation of nationals in commercial and industrial activities, was provided.
Laos—France	16 Nov. 1956 — 15 Nov. 1957			Signed in Paris on 16 November 1956. Reciprocal most-favoured-nation treatment provided. The agreement, after the initial validity period of one year, will continue in force indefinitely unless terminated on three months' notice.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Pakistan—Austria	24 Dec. 1956 — 23 Dec. 1957	Pakistan: jute, cotton, hides and skins, tanned leather and leather manufactures, sports goods, santonin, furs, animal hair, oil-seed cake, dried fish, canned fruits, handicraft articles etc. Austria: pig iron, aluminium and alloys, iron and steel goods, asbestos sheets and other manufactures, building and engineering materials, machinery and millwork and parts, diesel tractors and parts, chemicals, photographic instruments, optical instruments etc.	Payment in pounds sterling unless otherwise agreed to.	Signed in Karachi on 24 December 1956, initially valid for one year. The agreement will be automatically renewed from year to year, but may be terminated at the end of each agreement year on three months' notice.
Pakistan—France	1 July—30 Sep. 1957	Pakistan: cotton, jute, wool, animal hair, hides and skins, crushed bones, tea, sports goods, carpets, mica, chrome ore, tobacco etc. France: iron and steel, railway material, boilers, machines and mechanical apparatus, aluminium, electrical equipment, rubber goods, chemicals, dye-stuffs, synthetic textiles, plastics, pharmaceuticals, wines and spirits etc.	Payment in pounds sterling.	Extension on 27 June 1957 of 31 July 1956 agreement for a period of three months.
Pakistan—Germany (western)	1 July 1957 — 30 June 1958	Pakistan: jute, cotton, hides and skins, sheep and goat leather, leather goods, animal hair, tea, tobacco, chrome ore, essential oil, oil cake, fish meal, sports goods, carpets and rugs, honey etc. Germany: machinery and millwork, hardware, electrical goods, dyeing and tanning substances, vehicles, medicine etc.	Payment to be effected through accounts kept in accordance with the existing Anglo-German Monetary Agreement consistent with the obligations of Pakistan as a member of the Sterling Area.	Signed in Karachi on 9 March 1957 for an initial period of one year beginning 1 July 1957. If no notice of termination is given by 30 April 1958, the agreement will continue to remain in force, subject to annual review, but may be terminated at any time after the initial period with a three months' notice.
Pakistan—Syria	26 Sep. 1957 — 25 Sep 1958	Pakistan: tea, hides, fertilizers, sports goods, surgical and musical instruments, cutlery, carpets and rugs etc. Syria: tobacco, artificial silk yarn, glass sheets, aniseed, cumin, barley etc.	Payment in pounds sterling unless otherwise agreed upon.	Signed in Karachi on 18 December 1955, effective as from 26 September 1957, the date on which instruments of ratification were exchanged in Damascus. Most-favoured-nation treatment mutually granted. The agreement will be renewed automatically year after year unless terminated on three months' notice.
Thailand—United States		5,203 tons of Thailand's glutinous rice, valued at $563,493.	Payment in dollars.	Concluded in Bangkok in October 1957. The rice to be delivered to Laos.
Viet-Nam (northern) —Bulgaria	Through 1957	Viet-Nam: mineral ores, cereals, oil-bearing grains, timber etc. Bulgaria: electrical materials, chemicals, pharmaceutical products, textiles, building materials etc.		Signed in Hanoi on 14 February 1957. Trade of 1957 to increase considerably over that of 1956.
Viet-Nam (northern) —Bulgaria	Through 1958	Viet-Nam: rice, maize, oil and fats, mineral ores, handicraft products etc. Bulgaria: pharmaceutical products, electrical supplies, raw materials for chemical industry, textiles etc.		Signed in Hanoi on 8 October 1957.
Viet-Nam (northern) —Czechoslovakia	Through 1957	Viet-Nam: rice, corn, manioc, oil-bearing grains, tea, essential oils, vegetable oils, handicraft articles etc. Czechoslovakia: machinery and equipment, dye and chemical products, pharmaceutical products, textiles, paper, sheet metal, electrical equipment etc.		Signed in Hanoi on 12 March 1957. Trade volume of 1957 to increase by 20 per cent over that of 1956.
Viet-Nam (northern) —Egypt	1958—1960	Viet-Nam: coal, timber, cassava root, sweet potatoes, fruit, pork, tea, aniseed, camphor and other vegetable oils, bamboo, cement, matches, wooden articles, jute and jute rope, etc. Egypt: raw cotton; cotton, flax, artificial silk and other synthetic fabrics; fruit, medicinal crops, aromatic herbs, leather and leather goods.		Signed in Hanoi on 31 December 1957. Each country will establish commercial representation in the capital of the other.
Viet-Nam (northern) —France	14 Oct. 1957 — 14 Oct. 1958	Viet-Nam: anthracite, green tea, raw silk, agricultural and forest products, tin, handicraft articles etc. France: machinery, spare parts and accessories for textile industry, sugar, bicycles and spare parts, motor vehicles, building materials, chemicals, pharmaceuticals, etc.		Letters exchanged in Hanoi on 18 October 1957, extending the 14 October 1955 agreement for another year up to 14 October 1958.
Viet-Nam (northern) —Germany (eastern)	Through 1957	Viet-Nam: minerals, farm and forest products, fine art and handicraft articles etc. Germany: machinery, cloth, medical equipment, bicycles and accessories, chemical products, electrical equipment etc.		Signed in Hanoi on 25 February 1957. Trade volume of 1957 to increase by 250 per cent over that of 1956.

2. ECAFE EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Viet-Nam (northern) —Hungary	Through 1957	Viet-Nam: rice, maize, oil-bearing grains, vegetable essences, timber, handicraft articles etc. Hungary: machinery, electrical equipment, chemicals, medical supplies and appliances, spare parts for transport vehicles. cotton piece-goods etc.		Signed in Hanoi on 6 May 1957. Trade volume of 1957 to double that of 1956.
Viet-Nam (northern) —Outer Mongolia	Through 1957	Outer Mongolia: woollen products, butter, dried meat etc. Viet-Nam: timber, dried fruits, silk etc.		First goods exchange and payments agreement, signed in Hanoi on 10 June 1957.
Viet-Nam (northern) —Poland	Through 1957	Viet-Nam: agricultural products, minerals etc. Poland: machinery, textiles, metals, pharmaceutical and chemical products, etc.		Signed in Hanoi on 6 February 1957. Trade volume of 1957 to increase by 250 per cent over that of 1956. Under a credit agreement signed at the same time, Poland will grant credits for the establishment of a sugar factory and for the equipment of a power plant in northern Viet-Nam, the credits redeemable through delivery of Viet-Nam's products.
Viet-Nam (northern) —Romania	Through 1957	Viet-Nam: rice, oil-bearing grains, handicraft articles etc. Romania: textiles, paper, machines, pharmaceutical and chemical products etc.		Signed in Hanoi on 19 February 1957.
Viet-Nam (northern) —USSR	Through 1957	Viet-Nam: hardwoods, tea, coffee, spices, starch, handicraft articles etc. USSR: fertilizers, petroleum products, medicines, paper, sugar etc.		Trade protocol, signed in Hanoi on 30 March 1957. Trade volume to increase notably over 1956.